

ANNUAL REPORT 2008 - 2009



Innovation. Determination. Growth



JK PAPER LTD.



JK PAPER MILLS

JK PAPER MILLS JAYAPUR				DATE
PRODUCTION	UNIT	TODAY	TODAY	
PAPER	MT			
PULP	ADMT			
OWN POWER	WH			

3 1505

*Challenges do different things to
different people.*

Do they intimidate or motivate?

*In the answer to that question lies
the hallmark of enduring leadership.*

*To us, ever since inception,
every challenge is a doorway to
another milestone in product
leadership.*

*And we get there by enhancing
our core strengths, leveraging
innovation in everything we do and
revitalizing our determination to grow.*

*Our determined journey goes on,
uninterrupted...*

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Board of Directors

HARI SHANKAR SINGHANIA

Chairman

HARSH PATI SINGHANIA

Managing Director

OM PRAKASH GOYAL

Whole-time Director

ARUN BHARAT RAM

DHIRENDRA KUMAR

M.H. DALMIA

R.V. KANORIA

SHAILENDRA SWARUP

SHAILESH HARIBHAKTI

S.K. PATHAK

UDAYAN BOSE

VINITA SINGHANIA

Offices

Registered Office

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Tapi (Gujarat)

Administrative Office

Nehru House,

4, Bahadur Shah Zafar Marg

New Delhi - 110 002

Bankers

State Bank of India

Axis Bank

Canara Bank

IDBI Bank

Company Website

www.jkpaper.com

Plants

JK Paper Mills

Jaykaypur - 765 017

Rayagada (Orissa)

Central Pulp Mills

P. O. Central Pulp Mills - 394 660

Fort Songadh

Dist. Tapi (Gujarat)

Auditors

Lodha & Co.

Chartered Accountants

New Delhi

S. S. Kothari Mehta & Co.

Chartered Accountants

New Delhi

Company Secretary

S. C. Gupta



TOWARDS NEWER HORIZONS

INNOVATION



Since inception, innovation has been part of JK Paper's DNA. Our pioneering initiatives in the Indian paper industry started as far back as the mid 60's when we were the first to manufacture surface sized printing & writing paper, followed by copier paper in the late 80's with imported fibre. Foreseeing the need for high end pulping technology, the Company invested in a state-of-the-art pulp mill in the late 90's at its JKPM unit. This enabled JK Paper to create the cut size office paper segment with the launch of products for office & communication purpose. Now that the market has graduated into the next generation of reprographics and documentation colour copying, we have once again been quick to introduce Cedar brand to serve this market. JK Photovista, our premium coated inkjet photo paper was launched to cater to the growing photo printing segment. In our latest business of Packaging Boards we have a portfolio of new innovative products - JK Endura, JK Pristine Cote and JK IV Board which have been hugely successful in the marketplace.

Our unique Emission Reduction Purchase Agreement (ERPA) with the World Bank brings the benefits arising from participation in the world markets of carbon credits to small farmers located in the hinterlands of the country.

At JK Paper, our philosophy of innovation goes a step beyond just products and services. We have adopted innovative work practices like training and recruiting fresh ITI talent to start up our new packaging board plant. We are proud to state that the average age of our manufacturing team at the board plant is below 30 years.



BETTER VALUE, BETTER PROSPECTS

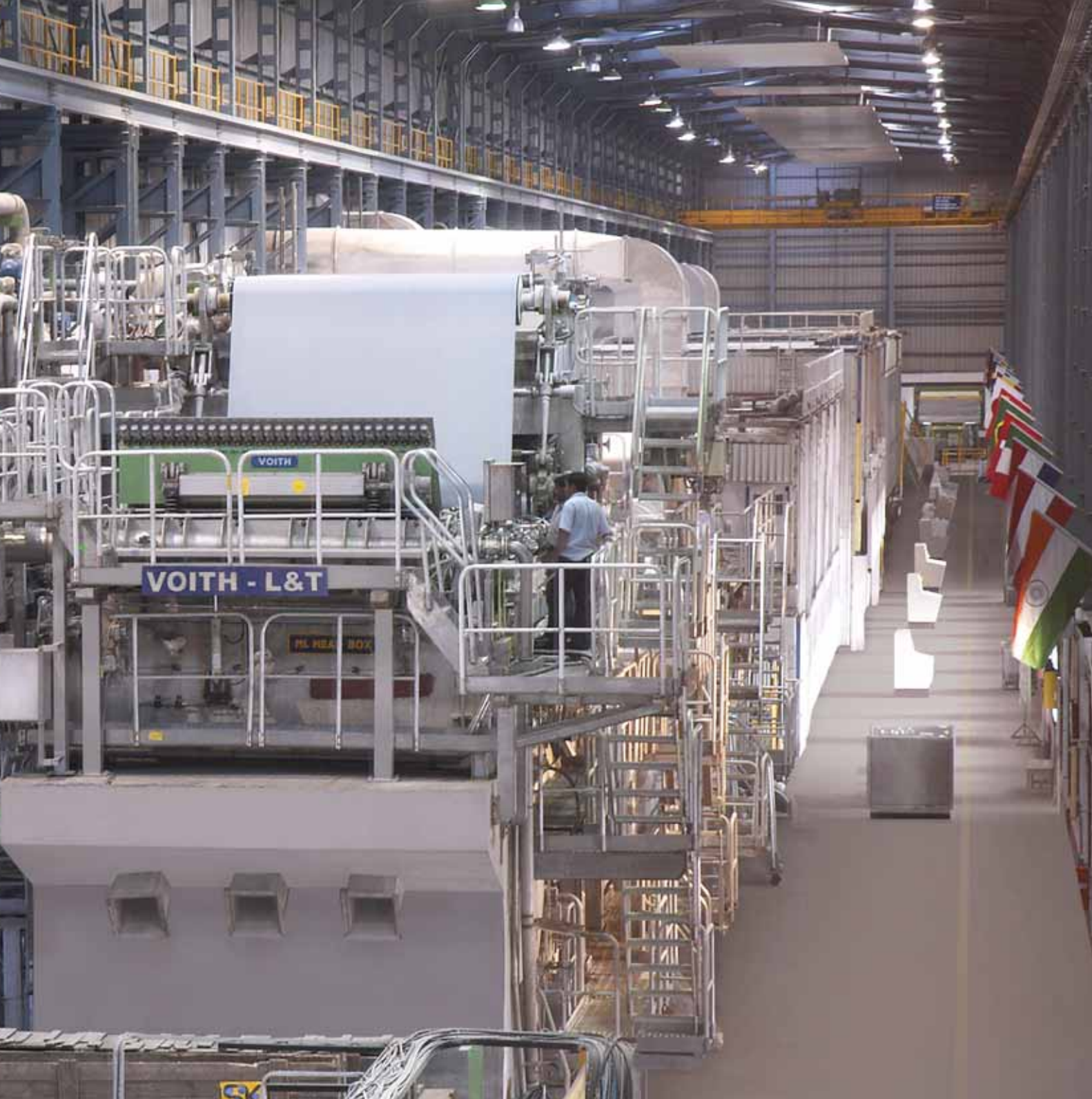
DETERMINATION



In our resolve to deliver better value to the customer in the growing segment of graphic coated paper, we have set up a world class coating plant at our JKPM unit. Today, JK Cote has captured a sizable market share in the graphic printing segment. We will continue to grow our market share in this segment through outsourcing despite tough international competition.

Our product is well appreciated by end users & printers for various applications such as product brochures, calendars, magazines and POP materials. Today Indian printers are able to enter international markets using JK Cote for high end printing jobs. Our determination to succeed against all odds has been amply proven in our recent foray into the extremely competitive and quality conscious business of value added premium packaging boards. In a short span of two years, we have established ourselves as a strong and focused manufacturer of these boards both in Indian and international markets. Our boards are being used by almost all FMCGs, consumer durables, foods and pharmaceuticals industry. We have achieved 100% capacity utilization on the packaging board machine and are fast racing towards achieving our objective to be the preferred supplier for value added packaging boards in the country.

The life-blood of paper industry is consistent and sustained supply of raw material – wood. With corporate forestry legally infeasible, the only way to secure wood supply is to work with a large number of farmers on a day-to-day basis over a vast area – an imposing task. The Company started farm forestry in the early 90s which today meets a substantial portion of wood requirement. We are determined to increase our farm forestry coverage to meet the entire requirement of wood.



FROM STRENGTH TO STRENGTH

GROWTH



The Company set up a state-of-the-art coated paper machine at unit JKPM in 2004-05. This enabled us to gain a foothold in the lucrative coated graphic printing segment. With an 18% market share and a growing consumer demand for our products, we are one of the leading players in this segment.

JK Paper has always had a strong focus on emerging markets and the changing needs of customers. The value added coated premium packaging board business is a recent example. We are running our machine at full capacity and producing world class coated packaging board for high end packing. A growing list of customers, including leading MNC's are using our product offering - JK Ultima, JK TuffCote, JK TuffPac, JK PureFil base, JK IV Board, JK Pristine Cote & JK Endura. Today our products are well accepted by the end users and converters alike. Besides having a sizeable market share in the domestic market, our products have also found ready acceptance in the Middle East and Western Europe to the complete satisfaction of customers.

With a hand on the pulse of our customers' needs, we saw an opportunity for deeper involvement with them by offering a range of high quality premium stationery note books and note pads under the brand name JK Excel and premium inkjet photopaper - JK Photovista. This venture has enabled us to establish a greater connect and deliver exceptional personal experience to our customers.



ENHANCING INTELLECTUAL CAPITAL

PEOPLE



In line with our core values, we consider human resource to be our biggest asset. JK Paper has introduced several people related interventions to consolidate the capability of its entire human resource base.

We use employee's satisfaction surveys as the yardstick to gauge the motivation level of our employees. After having initiated several measures towards this, JK Paper has embarked upon a third such survey recently. Identification of “High Performance, High Potential” employees is an ongoing process in our organization. These identified talents are put through rigorous development initiatives to be groomed as leaders of tomorrow, apart from ongoing progression plans.

Strengthening transparency in our working environment has also been an area of focus. This has been demonstrated through a series of interactive sessions between the MD, Directors, Plant Heads and the Employees. This has also resulted in higher level of vibrancy among the work force and managers of the Company.



IN PARTNERSHIP WITH NATURE

ENVIRONMENT



Our commitment towards a greener tomorrow runs right across the value chain of engagement with the environment. We strive continuously to reduce the intake of natural resources and contain the wastes. This commitment is captured in our continuous endeavour to reduce consumption of water and energy per unit of output for which the Company has received several awards. We have, over the years, reduced the wastes, reduced the potency of wastes and strive to dispose them in safer ways if not re-cycle them as we have done in the case of fly-ash.

The plantation initiative is a stellar example of how our needs can be transformed into a societal opportunity. The 71,000 hectares of plantation bears testimony to our success in making the process re-generative and self contained. We increase green cover much before our operation draws on the green bank.

We are committed to regularly updating our technology and processes, to get more and more eco-friendly and ensure a clean neighbourhood. The induction of new technologies this year ensures substantial reduction in lime sludge and acidic effluents. Innovative effluent management has ensured that acidic waste is now being used in the pulp mill for pH control.

These and many other ecology friendly initiatives make us among the greenest paper manufacturers in the country.

Chairman's Statement

Dear Shareholder,

Fundamentals of Indian economy are strong and will continue to be so. We have inherent advantages of being a young nation with skilled and talented workforce with engineering and R&D capabilities.

We are a nation of continental proportion with over 1.1 billion people and spread across 33 lakh sq. kms. In 15 years time the population would be 1.4 billion, 18% of world's population. We are destined to emerge as the third largest economy in the world with GDP of about US\$ 40 trillion by 2050.

With rapid pace of growth and changing contours of our development, aimed at achieving inclusive growth encompassing different segments of population, we are indeed, without exaggeration, emerging as one of the largest consuming markets, for a variety of products and services, in the world. Paper and paper boards are fundamental requirements of such economic growth. The potential of paper industry is thus indeed immense. It is paradoxical that we have neglected development and availability of raw material for this industry. This has been largely because of short-sighted and confused thinking and policies concerning afforestation. This has been accentuated by some special interest groups, who only see the risks rather than how well-enacted policies can generate employment opportunities for the people at the bottom-end of economic and social pyramid, and enhance green cover at a rapid pace. There is a need for immediate action in this respect.

Paper is not only essential for literacy but also for development of markets and progress in technology. Towards this end JK Paper has been a pioneer in transforming paper from a commodity market into a branded market by introducing a series of value added products over the years, which currently account for over 90% of our sales. With the entry into high-end Packaging Board market, JK Paper has a strong footing in all the fast growing segments of the paper industry.

Despite the challenging environment, JK Paper has been able to perform reasonably well and maintain its profit levels - thanks

to the judicious development of product mix and the pay off we received from the cost cutting efforts taken in recent years. JK Paper is well known for its obsession for quality and customer focus. Besides producing a wide variety of products to suit the diverse and varied users' requirements we have been aggressively making all out efforts to provide technical solutions and services for customers' needs. Launching of Brand Cedar for high quality colour photocopying and printing is a reaffirmation of our commitment to be the first to meet the emerging needs of consumers.

Raw material constraints have been a major factor hindering the growth of Indian paper industry and JK Paper Ltd is no exception to this. Our social forestry programme has helped us to meet a substantial part of our raw material requirements besides providing income and job opportunities to tribal population and farmers in areas surrounding our plants in Orissa and Gujarat.

JK Paper has also been conscious of the need to preserve the environment and has been taking initiatives to recycle wastes and reduce scarce resources like energy and water per unit of output through modernisation programmes.

We have come a long way since JK Paper Mill was established in 1962 and can legitimately be proud of our achievements. We owe this achievement to our business partners – wholesalers, retailers, suppliers, employees, financial institutions & banks and, last but not the least, the shareholders.

We recognise the challenges that lie ahead – especially in the context of growing competition both from domestic and foreign players. I am sure with the continued support of all the stake holders the Company would see many more milestones and achievements in the years to come.



With Best Wishes,

A handwritten signature in black ink, appearing to read 'H. Singhania'.

HARI SHANKAR SINGHANIA

Managing Director's Message

Dear Shareholder,

The year 2008-09 was a year of two halves with the first half doing relatively well while the second half witnessed unprecedented global down-turn. Global pulp and paper demand growth was adversely affected by the economic events. Fall in demand in the Western countries could only be partly offset by nominal growth in developing economies.

The Indian economy including the pulp and paper industry has been relatively less impacted due to its lower dependence on external trade compared to many other economies. However, despite the challenging year that we had in 2008-09, Indian industry's medium to long term growth potential remain high, thanks to the rising population, growing consumerism and the country emerging as a hub for printing and publishing services and solutions.

During the year the industry saw softening of growth rates in most varieties of paper as the Indian companies resorted to cost cutting to combat pressures on margins. The price of coated paper which is closely linked to international prices saw significant downward corrections reflecting steep fall in overseas markets. Domestic demand for packaging board remained firm.

However, diversification into domestic market due to export contraction led to price pressures being seen in the later part of the year.

The slow down in global demand growth led to fall in global prices of both pulp and paper especially in recent months. As a result the industry witnessed increased threat from imports and domestic prices of paper varieties remained soft. Indian industry did take advantage of falling global pulp prices but this could not fully compensate the negative impact on paper prices and demand.

To face the growing competition as also to exploit the opportunities offered by the domestic industry the Company's strategy in the late 90s was to modernise and expand by adding capacities and set up state-of-the-art facilities. The recent years have seen entry of the Company into new product segments including packaging board, coated paper as also in stationery items.

Aggressive marketing efforts, strong distribution network and a pro-active approach to after-sales services helped JK Paper in retaining its market share despite growing domestic

competition and rising imports. The Company could thus improve its brand image not only in the metros but also in small cities and towns.

The shift in product mix towards branded and high value added varieties and improved managerial and operational efficiency helped the Company to mitigate the margin and cost pressures. JK Paper's total production, paper and packaging board,

rose to over 2.5 lakh tonnes vis-à-vis 2.05 lakh tonnes in previous year despite challenging conditions and the Company achieved an overall 106% capacity utilization. It is also heartening that the new packaging board could achieve near full capacity utilization in a short span of time.

Sustained supply of quality raw material at affordable prices is a key determinant in the Company's operating efficiency and cost competitiveness. To ensure adequate supplies, the Company has taken a number of initiatives for over a decade and is among the pioneers in social and farm forestry programmes. With the Company's aggressive approach and various efforts in

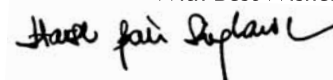
introducing high yielding plant species, we should be able to increase the share of in-house raw material resources in our total raw material base in the years to come.

While the Company is committed to growth, it strives to be a responsible corporate citizen towards its neighbourhood and environment. The Company aggressively pursued its various CSR initiatives, spread of adult literacy, preventive healthcare, etc.

JK Paper has been fortunate to have had strong support from all its stakeholders be it its customers, suppliers, banks, financial institutions and the Shareholders. With your continued guidance and support, I am confident that the Company will be able to become a much stronger and faster growing Company in the years to come.



With Best Wishes,



HARSH PATI SINGHANIA

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 48th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2009. The previous financial year i.e. 2007-08 was for a period of 9 months, hence figures are not comparable.

FINANCIAL RESULTS

	Rs in Crore (10 million)	
	2008-09 (12 months)	2007-08 (9 months)
Gross Sales	1,268.34	749.31
Profit before Interest and Depreciation	182.24	116.24
Interest & Financial Charges	58.47	35.46
Profit before Depreciation	123.77	80.78
Profit before Tax	54.08	34.92
Provision for Tax	16.07	0.21
Profit after Tax	38.01	34.71
Debenture Redemption Reserve Written back	-	2.44
Surplus brought forward	93.90	73.78
Total amount available for appropriation	131.91	110.93
APPROPRIATIONS:		
Capital Redemption Reserve	0.40	Nil
General Reserve	3.50	3.25
Dividend:		
- On Preference Shares (incl. Tax on Dividend)	0.06	0.07
- On Equity Shares (incl. Tax on Dividend)	16.00	13.71
Surplus carried to Balance Sheet	111.95	93.90
TOTAL	131.91	110.93

DIVIDENDS

Your Directors are pleased to recommend a dividend of 17.5% on the Equity Capital. The dividend payable on Preference Share Capital (including interim

dividend of Rs. 0.01 Crore) at the specified rate is Rs. 0.06 Crore. The total outgo including tax on account of dividend would be Rs. 16.06 Crore.

PERFORMANCE REVIEW

The financial year presented a mix of opportunities and adversities. The first half of the year was characterized by robust demand and remunerative prices but profitability was constrained by the high cost of imported pulp and prices of domestic coal. In the second half of the year the position reversed while demand and output prices softened, there was gain due to significant reduction in pulp prices. Reduction in excise duties helped the industry contain the impact of the slowdown which started from October 2008 onwards.

The Company's sales grew to Rs. 1,268.34 Crore, an increase of 27 percent over the previous year (annualized). For the period under review, the Operating Profit (PBIDT) was Rs. 182.24 Crore as against Rs. 116.24 Crore during the previous period (9 months) and the Net Profit (PAT) stood at Rs. 38.01 Crore against Rs. 34.71 Crore.

During the year, the Company's new Packaging Board plant completed its first full year of operation. Consequently, Company's production increased to 254,816 tonnes (previous period 204,705 tonnes annualized) and sales stood at 256,918 tonnes against 212,817 tonnes (annualized). Overall plant capacity utilization continued to be high during the year at 106 percent.

The Operating Profit was affected by high international prices of pulp coupled with a steeply depreciated rupee during the year. The Company had to resort to purchasing expensive coal from e-auction / open market as Government was not able to provide the desired coal linkage. The above cost increases were partially neutralized by reduction in chemical prices and better realization in some product segments.

Net profit (PAT) was impacted due to higher interest and depreciation charges for the full year on Company's new packaging board plant and substantially higher tax provisions. Though, there was steep increase in interest rates midway through the year due to severe credit crunch, the Company managed to see through the period without much adverse

consequences. The Company decided to follow the new guidelines issued by the Government relating to AS 11 and has accordingly capitalized Rs. 1,406.75 Lacs of net foreign exchange losses.

Demand for paper and boards continued to grow in all the product categories in which your Company operates. This is fuelled by increased thrust on education, growth in GDP, demand for better quality and value added products, development of retail sector, etc. Per capita demand for paper at 8 kgs. is one of the lowest in the world, auguring good prospects for long term growth of the Indian Paper Industry.

JK Paper's brands continue to be benchmarks in all the major segments in which it operates, despite strong competition from domestic and international players. This is due to strong focus on quality, motivated and experienced team, a marketing set-up, which has its ears to the ground and an extensive distribution network.

JK Copier continues to retain its leadership position in Branded Cut Size Copier papers. Overall, your Company with its brands like JK Copier, JK Copier Plus, JK Easy Copier, Sparkle and Cedar is the largest copier manufacturer in India and has an established presence in all the sub-segments of the markets.

During the year, the Company was able to achieve a volume growth of approx 20% in coated paper. 'JK Cote' has become a sought after brand due to continuous quality upgradation and excellent after sales service. Demand for other speciality grades like JK Excel Bond, JK Bond, MICR Cheque papers etc. also remained strong.

The Year 2008-09 was a challenging year for our new Packaging Boards Business. The year began with a rapid ramp-up of value added Virgin Fibre based Boards. The Company's Packaging Boards secured end user acceptance from most of the prestigious and quality conscious multinationals and leading domestic companies. It is a matter of satisfaction that in a short span of less than two years, JK's product quality is perceived to be at par or better than competitors in the domestic market.

The performance norms in terms of production, efficiency and all other machine parameters were established during this year with capacity utilization reaching 96% for the Board Plant. However, high cost

of imported pulp, waste paper and petroleum based additives led to adverse impact on margins of this business. This was accentuated by global melt down, resulting in substantial contraction of exports from India. Things are expected to gradually return to normal during the coming year with pick-up in demand and absorption of supply.

As you are aware the growth of Indian paper industry continues to be constrained by limited availability of raw-materials. In order to overcome this constraint, your Company has been pursuing its farm forestry programme aggressively in the areas close to the factories. Under this programme, farmers are educated to adopt scientific methods for growing trees besides being supplied with high quality seeds, seedlings and high yielding clones. During the year, an additional area of 6,300 Ha of land was covered under this programme by distributing over 37 million plants. Procurement of woods from farm forestry sources now accounts for over 65% of the Company's total raw materials consumption. In future the Company intends to intensify efforts for development of seed orchards of high yielding strains and clonal propagation of various species including Eucalyptus.

CUSTOMER SATISFACTION AND QUALITY

JK Paper's philosophy is to actively engage with the customers not only in providing them with the right quality of products but also to provide solutions to their need through its dedicated technical service team. This has helped in attaining quick market penetration in high end packaging boards. The Company continues to conduct periodic customer satisfaction surveys through in-house as well as independent agencies, which keeps it in touch with the changing needs of customers and helps upgrade its quality ahead of competition.

As you are aware JK Paper was the first Indian integrated paper Company to be awarded the TPM excellence award - First Category by the Japan Institute of Plant Maintenance. Both the Units are now gearing up for the final audit by end of 2009 for the TPM Consistent Commitment Award, the next stage in the TPM journey. TPM has become a way of life and with regular interventions and continuous training, the Company is set to reap the full benefits of TPM in all its Units.

HEALTH, SAFETY, ENVIRONMENT AND SOCIAL CAUSES

The Company strives to provide a healthy and safe environment to enable its employees stay motivated and give their best. During the year, the scope of ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999, which was operational at both the Units, have been extended to Packaging Board Plant also at Unit CPM.

The Company upgrades its technology on a regular basis to keep it eco-friendly and ensure a clean neighbourhood. Both the Units have established Lime Kilns which will be fully operational soon. This will substantially reduce consumption of fresh lime. The Company is working on several energy and water conservation initiatives with the active cooperation and help from International Finance Corporation.

The Company has entered into a Memorandum of Understanding with Navsari Agricultural University, as a co-partner under PPP project mode. The Project "A Value Chain on Utilisation of Banana Pseudo stem for Fibre and Other Value Added Products" has been undertaken as a NAIP (National Agriculture Innovation Project) by ICAR (Indian Council of Agriculture Research) and sponsored by World Bank and IBRD (International Bank for Reconstruction and Development).

Unit CPM runs a Mobile Health Care programme, which has reduced the incidence of disease in nearby areas. Since 2004, both the Units are running Adult Education Centres to increase literacy levels in tribal villages in and around the factory. The Company's Social and Farm Forestry program provides improved livelihood opportunities to thousands of farmers.

A new initiative for livelihood intervention has been started by Unit JKPM. Twenty five Self Help Groups (SHG) have been formed in 12 nearby villages where tribal women are being given training on Phenyl preparation, procurement of tamarind, deseeding, making cakes and marketing them, so that they can enhance their earnings. Twenty nine Balika Mandal groups were formed in these villages with a Community Health Worker (CHW) in each village to train them in better health-care and hygiene practices.

As reported last year, the Company has undertaken the upgradation of Ukai ITI, which is located near Unit CPM, under Public-Private Partnership (PPP) mode. An Institute Development plan was made and is being implemented to set up necessary infrastructure and establish required training workshop/laboratory equipped with necessary instruments, machinery and teaching aids. Currently this ITI has 9 trades out of which 4 trades are being upgraded under the plan while 2 new trades are being introduced for the first time.

AWARDS AND RECOGNITION

Unit JKPM was awarded "National Ground Water Augmentation Award - 2008" by Ministry of Water Resources, Government of India and "Certificate of Appreciation for Excellence in Energy Management - 2008" by Bureau of Energy, Government of India, in appreciation of the efforts in Resource Conservation in Pulp & Paper Sector.

Unit CPM was awarded the "Greentech Environment Excellence Silver Award 2008" from Greentech Foundation and an award from South Gujarat Chamber of Commerce and Industry for the year 2008 towards outstanding work in Research and Development.

DIRECTORS

Shri Arun Bharat Ram and Shri Udayan Bose retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri M.H. Dalmia and Smt. Vinita Singhania, well known industrialists have joined the Board as Additional Directors. They will hold office till the forthcoming Annual General Meeting at which they are proposed to be appointed as Directors liable to retire by rotation. This will further broaden the base of the Composition of the Board.

Shri Gajanan Khaitan, Member of the Board passed away on 23rd January, 2009. Shri Khaitan joined the Board of Straw Products Ltd in 1962 when the JK Paper Mills was set up in Orissa. He continued to serve on the Board of that Company [later renamed as JK Corp Ltd. (JKCL)] and joined the Board of JK Paper Ltd. upon transfer of the Paper undertaking of JKCL. Thus he was associated with JK Group for over 46 years as Director.

The Board places on record its deep appreciation of the valuable services and guidance provided by him during his tenure.

AUDITORS

M/s Lodha and Co, Chartered Accountants, are eligible and proposed to be re-appointed as the auditor of the Company at the ensuing Annual General Meeting. M/s S.S. Kothari Mehta & Co. have desired to retire. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

COST AUDIT

The Cost audit for the year ended 31st March 2009 will be conducted by M/s. R.J. Goel & Co., Cost Accountants and the reports will be submitted to the Ministry of Corporate Affairs, Government of India.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Details of energy conservation, technology absorption, foreign exchange earnings and outgo, required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to this Report and forms part of it.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Company's New Delhi address.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance are made a part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. the accounting policies selected and applied are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit & Loss of the Company for that period;
- iii. proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. The annual accounts have been prepared on a going concern basis.

INDUSTRIAL RELATIONS

Industrial Relations remained largely cordial throughout the year under review. Several Industrial Relation initiatives implemented by the Company have significantly helped in improving the work culture, enhancing productivity and enriching the quality of life of the workforce.

ACKNOWLEDGEMENT

The Directors acknowledge the continued support and cooperation received from the Central Government, State Governments, Shareholders, participating Financial Institutions and Banks, Customers, Suppliers and Dealers.

The Board also wishes to record its sincere appreciation of the total commitment, dedication and hard work, put in by every member of Team JK.

On behalf of the Board of Directors

HARI SHANKAR SINGHANIA
Chairman

New Delhi
Date : 14th May, 2009

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2009

Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo:

A) Energy Conservation:

Your Company has taken the following measures for energy conservation:

(1) Old inefficient motors are being replaced by energy efficient motors (2) Pumps are being optimized to conserve energy (3) Variable Frequency Drive installed in Pulp Mill area for level control thus avoiding throttling of valve (4) Exhaust fans being gradually replaced by Air Ventilators (5) Air consumption in 2 Boilers for Ash conveying has been reduced by modification of Ash removal system (6) Automatic timer provided in Air line for fluff removal to reduce air consumption (7) Improvement of power factor of 5.4 MW TG (8) Installation of frequency drive in FD fan motor of Boiler.

B) Research & Development:

During the year, your Company spent Rs 61.68 Lacs on Research & Development.

- (1) Extensive application research continued through various trials on the shop floor for product development and quality improvement.
- (2) Introduction of new shades in Copier paper to improve aesthetic look.
- (3) Successfully developed lower micron BOPP lamination for coated wrapper.
- (4) Developed lower gsm base paper for coated wrapper to reduce costs.

- (5) Stiffness of Bond Paper variety was improved through better chemical formulation.

C) Technology Absorption, Adaptation and Innovation:

- (1) Chlorine Dioxide generation plant converted from Sodium Chloride base to Hydrogen Peroxide base to reduce effluent discharge.
- (2) Head box of Paper machine replaced with modern Hydraulic Head box. Debottlenecking of machine was done to improve quality and increase production.
- (3) Reel turn up system installed in Paper Machines to reduce rejection of paper.
- (4) New chemicals introduced in the wet end of Paper Machines to increase loading in paper.
- (5) Installation of continuous filler dosing system for paper machine for better control of ash and minimizing losses.

D) Foreign Exchange Earnings and Outgo

Rs. In Lacs (0.1 Million)

(a)	Foreign Exchange earned	4,252.12
(b)	Foreign Exchange outgo:	
	- CIF Value of Imports	15,639.79
	- Others	850.31

PARTICULARS OF CONSERVATION OF ENERGY

Sl. No.	Particulars	Unit	2008-09 (12 Months)	2007-08 (9 Months)
A	POWER AND FUEL CONSUMPTION			
I	Electricity			
a)	Purchased Power			
	- Units	KwH in lacs	363.02	285.48
	- Total Amount	Rs.Lacs	1,620.40	1,274.21
	- Rate / Units	Rs/KwH	4.46	4.46
b)	Own Generation			
i)	Through Steam Turbine / Generators			
	- Units	KwH in lacs	2,713.61	1,914.97
	- Cost / Units	Rs/KwH	2.65	2.29
ii)	Through Diesel Generator			
	- Units	KwH in lacs	17.60	15.23
	- Units per Litre of Diesel Oil	KwH	4.01	3.76
	- Cost / Units	Rs/KwH	16.13	11.02
2	Coal			
	- Quality (Grade)		"D" to "F"	"D" to "F"
	- Where Used		CF Boiler	CF Boiler
	- Quantity	MT	394,630	284,321
	- Total Amount	Rs.Lacs	9,248.88	5,092.20
	- Average Rate / MT	Rs./T	2,344	1,791
3	Furnace Oil			
	- Quantity	Kilo Ltr	388.00	262.20
	- Total Amount	Rs.Lacs	119.85	56.82
	- Average Rate / Ltr.	Rs./Ltr	30.89	21.67
4	Others / Internal Generation		-	-

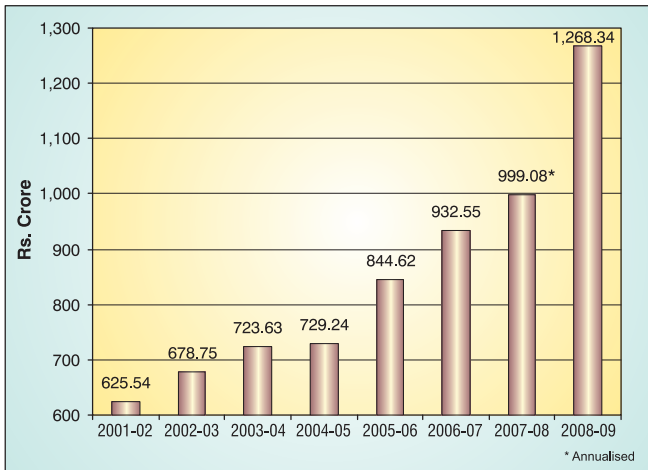
B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Year	Electricity Kwh/MT	Coal Kg/MT	Furnace Oil Lt/MT
Paper & Board	2008-09	1,250	1,519	1.89
	2007-08	1,398	1,674	1.93

JK PAPER GROWTH PATH

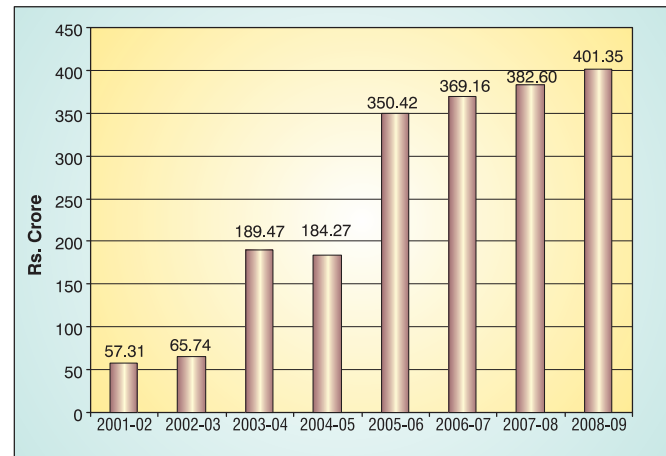
Gross Sales

All time high of Rs. 1,268.34 crore against Rs. 749.31 crore (Rs. 999.08 crore - annualised) in the previous year



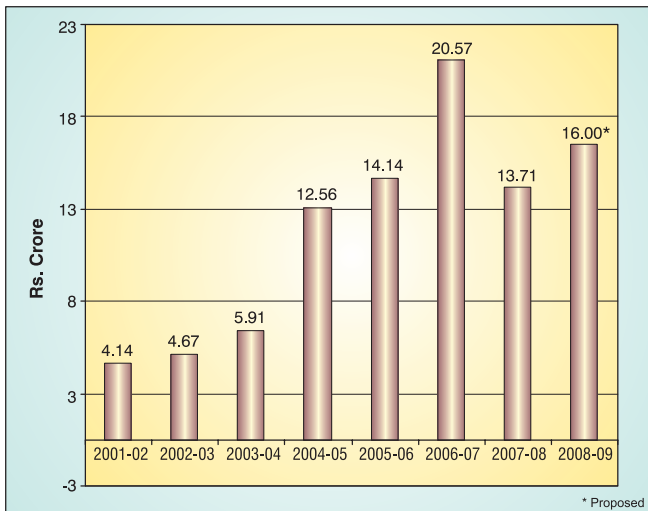
Equity Shareholders Funds

Net Worth has increased to seven-fold since 2001-02



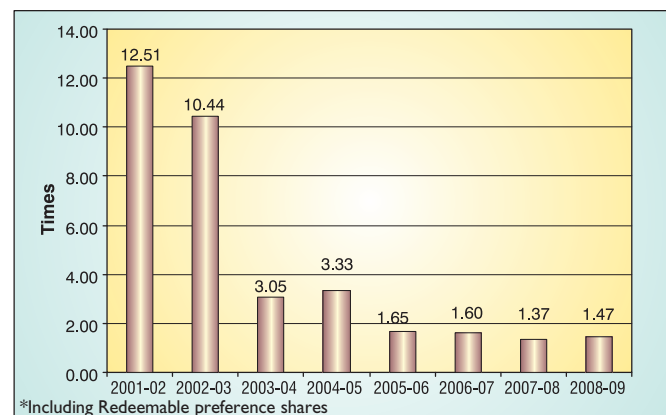
Dividend Distribution (Incl. Tax)

Equity Dividends distributed has increased 3.86 times since 2001-02



LT Debt* - Equity Ratio

LT Debt Equity has considerably improved from 12.51 to 1.47



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Financial Crisis & Global Pulp and Paper Industry

Global economic conditions which had exhibited some signs of trouble towards the end of last fiscal year, developed into a full blown crisis during the latter half of 2008. Values of several asset classes went into a free fall as a consequence affecting demand, growth and employment. Global economy experienced a sharp downturn beginning late 2008 and developed countries are facing recessionary conditions not seen since World War II.

It is difficult and too early to say as to when the recovery will begin to take hold. There are some mild and tentative signs that the situation is stabilizing. However, the general consensus seems to be that global economic recovery will be slow and gradual and one can see some strong signs of recovery only by early 2010. Fortunes of global paper and board industry is closely linked to economic growth and particularly to manufacturing growth.

Recessionary conditions in developed economies exacerbated the trend seen in last decade viz. paper supply and demand shifting away from North America and Europe to developing economies primarily in Latin America, China and to some extent to other parts of Asia. North America and Europe were traditionally dependent on exports to Asia and Latin America but over the years production in these regions rose sharply and as a result exports dried up. Indeed what we are seeing is a trend reversal. Europe has been having its own problems in slow down or reduction in demand as a result of growing electronic communication, high production costs due to energy prices which have tripled in the last 3-4 years and the taxes on movement of raw wood from Russia to the pulp production centres in Western Europe. This has adversely affected the profitability of pulp and paper industry leading to the closure of a few pulp and paper facilities.

In case of market pulp the situation is one of over supply especially after commencement of huge

capacities in South America during the last 12-18 months. The capacity utilization of pulp which rose temporarily to 92-93% came sharply down to 82-84% dragging with it the prices of pulp during the last quarter of 2008. As a result of excess supply, prices of both hardwood and softwood pulp have fallen sharply in the last 6-9 months.

With demand for paper expected to saturate or contract in mature economies such as North America and Europe, significant portion of machine capacities have become obsolete or uncompetitive. It is estimated that as a consequence Western Europe closed 3.4 million tonnes of printing and writing (P&W) paper capacity since mid 2005 while North America closed 6.8 million tonnes of P & W capacity since Jan 2007. China, which has emerged as a major global player in paper and board industry has also been hit by the manufacturing slowdown. As a result, the international prices of paper in most categories have fallen by about 30% in the last 6-9 months.

Impact of global slowdown on Indian economy and its Pulp and Paper Industry

Until 3rd Quarter of 2008 the Government and RBI policy was oriented more towards controlling inflation and hence RBI resorted to credit and monetary tightening. However, after Oct 2008, RBI took steps to reduce interest rates to counter adverse impact of global financial crisis and slowdown on Indian economy.

Since Oct 2008 there has been significant increase in liquidity as also significant cuts in policy rates like CRR and REPO. Banks did reduce their PLR but not commensurate with cuts in policy rates. They have also become a lot more cautious in lending. With capital market in difficult situation, access to external financing almost becoming impossible, corporate sector have been finding it difficult to fund their projects. The real interest rates as a result is ruling at very high and unsustainable levels. FII's started liquidating their investments in emerging markets including India to cover their losses in the home

country. The Rupee depreciated by 26% since March 2008. Conditions are yet to stabilize in interest rate, credit and Foreign exchange markets.

Exports have been hit adversely because of difficult external conditions and there is a slowdown in demand in the consumer durable, automobile and real estate sectors. Consequently, the Indian economy registered a lower GDP growth of 6.7% in 2008-09 vis-à-vis 8.8% annual average seen in recent years. However, this temporary setback should not affect India's growth potential in the medium to long term.

The fall in international pulp prices has benefited pulp importers. However it was partly neutralized by the steep depreciation of the Rupee against the USD.

Thanks to India's growing population, rising aspirations and per capita income, the per capita consumption of paper is poised for sustained growth over the long term. Since the current per capita consumption of paper is low, the growth rate in the medium term is likely to be high and India may emerge as amongst the fastest growing markets in global paper industry. However, future growth is likely to increasingly depend on imported market pulp as there is a serious shortage of wood in the country.

Supply-demand scenario of Indian Paper and Board Industry

Demand for Paper and Boards has been growing annually in the last 5 years at an average of over 8%. This is expected to continue in near future notwithstanding the slowdown in growth in 2008-09. Packaging board demand has been somewhat adversely affected by contraction in exports of end-user industry in recent months and coated paper demand due to cost cutting measures taken by corporate sector.

Interestingly, the demand growth seen in recent years has been led mostly by new avenues for paper use. Penetration of modern technologies and communication network in rural India, rising advertising and sales promotion and growing thrust for knowledge and education have all led to mushrooming of magazines, and higher demand for

notebook and writing paper. There has been a rise in rural-urban connectivity thanks to Government sponsored programmes like rural roads, NHDP, etc. as also the recognition that rural market is a "gold mine" waiting to be tapped. India has been receiving increasing recognition world wide as an outsourcing destination for printing services and solutions. With rising literacy and quest for education and knowledge there is also an increasing demand for high quality printing papers.

Paper based packaging has a good potential for growth in India. Emphasis on environment friendly product combined with increased use of ready-to-eat food to suit the changing needs of nuclear families and the young population are fuelling the demand for convenient and attractive paper based packaging. Unorganised retailing is giving way to modern and organized sector, though slowly. This will further boost demand for high quality packaging boards.

Planned brown field and green field expansion plans of major paper companies in India would lead to creation of additional capacities of one million tonnes by 2009-10. Roughly half of this proposed capacity expansion and modernization programs is expected to be commissioned by end 2009. This is aimed at growing demand for paper within the country over the medium term. However, there may be some imbalances in the short term with supply outstripping demand.

MARKET FOR COMPANY'S PRODUCTS

JK Paper has been a pioneer in transforming paper from one of commodity to that of a "brand". Over the years we have been adding new products and shifting product mix towards value added products to suit diverse needs of customers. Today branded/ value added products account for as much as 90% of the Company's sales. With the entry into the packaging board market, JK is now present in all the fast growing and value added product segments.

● Business Communication Papers

The Company's product basket covers the high-end office paper segment as well as 'value for money'

products. 'JK Copier' continues to maintain its leadership position while 'Easy Copier' and 'Sparkle' - our VFM brands have built up an equally strong customer franchise. This strategy of being both in the high end and "value for money" segments has helped the Company to keep pace with the fast changing dynamics of the Indian market. It is heartening to note that all this has been achieved even while maintaining the price premium in the market place. Prices of uncoated wood-free papers have been more stable, although some minor adjustments had to be made in the first quarter of 2009.

● **Coated Paper**

The Coated paper segment saw some sharp movements during the year. Coated paper prices are closely linked to the international prices. During the first half of the year, the international prices remained strong and the domestic demand was robust. However, during the latter half of the year, international prices crashed due to global meltdown and the domestic demand softened due to cost cutting efforts initiated by many corporates. The segment also saw establishment of large capacity by a leading competitor during the year. Excess stock built up during the second half at the international level seems to be reducing currently and prices are recovering although not at the desired pace and level. It is expected that once the situation stabilises at the global level, domestic prices will once again become more sustainable.

Despite difficult conditions during the year, your Company achieved significant efficiency improvement in its Coated Plant operations and productions, which enabled it to increase production by 26% during the last year over the corresponding previous period.

● **Packaging Board**

To take advantage of the high growth rates of FMCG and Over The Counter (OTC) products which depend on paperboard based packaging, the Company entered the market for value-added packaging boards in late 2007. It is gratifying that the current year started with quick ramp up of value added virgin boards which implies acceptance of

quality by end users and customers. To expand the market for value added products further, the Company developed the concept of 'Fit for Purpose' and accordingly developed and launched three new products, JK Endura, JK IV Board and JK Pristine Cote during the year. The Company is also in constant touch with the market and based on the feedbacks received, the products are being upgraded on an on-going basis.

● **Outsourcing**

The Company also pursues outsourcing opportunities to meet the growing needs of the customers. Care is taken to ensure that quality of products from the vendors meet our standards. Your Company is also increasingly exploring opportunities for outsourcing imported products and sell them under JK brand name. A broader product basket will enable your Company to emerge as a one-stop-shop Paper Company.

● **New Products**

Continuing our tradition and obsession with satisfying customers' needs and exceeding them, your Company has introduced new product "Cedar" - a high quality paper for use in colour printers and for making corporate presentations. The product has been well received in the market.

JK Paper is test marketing its paper based branded stationery distributed through retailers. At present it is available in select markets of North India and few metros of South and Western India.

STRENGTHS AND OPPORTUNITIES

Your Company has been known for its leadership in terms of the quality of products and after sales service ever since its inception. Its continuous effort in upgrading the quality parameters ahead of the competition has been complemented in the recent years by a conscious attempt to become more market centric. The product specifications are continuously being changed to ensure increasing levels of customer satisfaction. Product development efforts are supplemented by more frequent customer visits, dealer meets, and market visits. Company officials from various functions visit the markets and the

customers frequently to understand their needs and address issues arising out of the visits in their respective functions.

The Company is the leader in high end fast growing Copier segment. It has established a sizable presence in Coated segment in the last 4 years. The newly introduced packaging board has gained rapid acceptance with its customers. All these segments are growing at rates faster than the overall growth in the economy.

Many paper and board companies, especially in developed countries, are experiencing serious difficulties because of the challenging global market situation and competition from emerging markets. This provides us an opportunity to acquire assets at an affordable price and we are seriously considering this option. With pulp prices ruling very low vis-à-vis prices in last 3-4 years in international market, time is also ripe for sourcing paper of various grades and marketing them locally.

The Company's distribution network established and tuned over the last 40 years is perhaps the widest. Most of the dealer/distributors are exclusive to the Company. The Company has further widened its network with selection of additional distributors for packaging board and stationery products. The distributors are experienced, and specialised and able to take care of the market needs even while being a source of continuous feedback to the Company for initiating appropriate changes in product specifications and customer service processes.

MAJOR CONCERNS

The global meltdown has created as many concerns as opportunities. Pulp prices which were ruling at multi-year highs have substantially corrected and were way below their long term average prices by the end of year. This has been caused both by sharp reduction in demand in Europe and Northern America as well as large capacities established in South America. However, since there have been capacity closures equivalent to or more than new additions, there may be upward price corrections equally sharp as the downward correction triggering another round

of price volatilities in the international markets with their consequential impact on the domestic price scenario.

There is a general scarcity of quality raw material locally. The growth in supply of raw material is not commensurate with the addition to pulping capacities in India. The existing government policies are not helping the cause of the industry. When all the pulp capacities get established, the price of raw material may start climbing once again steeply as they did between 2003-2007.

There are significant capacity additions happening in the Indian Paper Industry in most segments between 2008-2011. While the demand is growing, the capacity additions will take some time to get absorbed and it is expected that between 2009 -10 to 2011-12 supply growth will be in excess of demand. This might cause pressures on margins.

The global crisis has made overseas funding scarce. This has put pressure on both stock markets and forex reserves. Raising equity funds for expansion is likely to present significant difficulties and high foreign exchange rates will increase the capital costs and dilute profitability where imports are involved. The high domestic real interest rates will seriously affect fresh capital formation in general and in paper industry.

The level of tariff protection has come down progressively over the years and the current levels of 10% do not sufficiently compensate for the internal infrastructure constraints and other externally imposed costs on the industry. With most overseas markets in demand recession, India is an attractive destination for liquidation of stock in the short run and shifting capacities in the medium to long term for the MNC players. If these players have the back up of pulp in low cost manufacturing locations, it could pose a serious threat to domestic industry since they have advantage in technology as well as cost.

RAW MATERIAL AND OTHER PURCHASES

The Company has been concentrating progressively in developing raw material resource base in the mills' catchment area. To-date the area covered by farm

forestry under the Company's schemes is over 71000 Ha in the states of Orissa, Andhra Pradesh, Gujarat and Maharashtra. The farm forestry area covered during 2008-09 was over 6300 Ha. utilizing over 37 million seedlings/plants. This has helped in increasing availability of raw materials closer to mills as well as containing the rising raw material costs.

The Company has further increased its emphasis on sourcing of forest based cellulose raw materials from within 200 km of each mill. In this direction both factories now have formal and supportive structure for direct purchase of wood from farmers at mill gate. At the same time the focus of plantation programme is also to distribute high quality planting material to farmers within 200 km from the mills, with increasing focus on 100 Km radius. The response of farmers to these two initiatives has been encouraging. This will help the Company further reduce the expenses on transporting wood to mills and also save precious petro resources for the country.

In keeping with the globally accepted practice of avoiding monoculture in man-made forestry, the Company has also started emphasizing plantation of multiple species of pulpwood as against Eucalyptus dominated farm forestry in the past. In this direction we have adopted the findings of latest research efforts and are developing fast growing 'Candidate Plus' species in our Research Centres for distribution in our catchment areas. The existing high yielding Eucalyptus JK Clones are being further vigorously screened and modified for higher resistance towards diseases and pests.

The Company continues to raise and distribute bamboo rhizomes for replanting of blank patches in the forest areas through Govt. Agencies and NGOs in order to increase the productivity of bamboo bearing forest areas. During the last planting season the Company distributed over 2 million bamboo rhizomes.

The farm forestry based CDM project initiative has progressed satisfactorily as planned and is going through the validation by an independent internationally reputed consultant working on the guidelines of UNFCCC (United Nations Framework Convention on Climate Change). The Company is

now planning to go for phase II of the project with a larger base to enable poor farmers to benefit from additional income through carbon credits while contributing to reduction in global warming.

All these efforts on farm forestry front will go a long way in increasing the cost competitiveness of the Company.

The year witnessed extreme volatilities in the pulp prices as detailed elsewhere. It is expected that the current low prices of pulp will prevail for the next 6 months or so, after which, the process of correction might gain momentum.

Prices of petrochemicals based inputs moved up in the first half of the year but have corrected in line with the base materials during the second half of the year. There is a demand recession in other chemicals and hence the prices were ruling lower in the second half of the year and are expected to continue till demand by other users improves. Availability of coal continues to be a problem especially since adequate linkage coal is not yet forthcoming from the government agencies. Open market prices of coal have, however, corrected downwards but still continue to be higher than the price of linkage coal. Prices of minerals like soapstone (domestic) and calcium carbonate (imported) have ruled easier during the year.

FINANCIAL HIGHLIGHTS

Rs. Cr. (10 million)

	2008-09 (April 08 to March 09 - 12 Months)	2007-08 (July 07 to March 08 - 9 Months)	2007-08 (Annualised for 12 Months)	Increase/ decrease (-) over previous year annualised
(1)	(2)	(3)	(4)	(5=2-4)
Gross Sales	1,268.34	749.31	999.08	269.26
Net Sales and Other Income	1,077.18	607.58	810.11	267.07
Profit before Interest and Depreciation	182.24	116.24	151.08	31.16
Profit Before Depreciation	123.77	80.78	103.80	19.97
Profit Before Tax	54.08	34.92	42.65	11.43
Profit After Tax	38.01	34.71	39.74	(1.73)

Production at 254,816 tonnes and Sales of 256,918 tonnes achieved by the Company during the year are the highest ever annual tonnages. Net sales and other income went up by 32.3% on the strength of volume increase, price buoyancy, and improved product mix. However Operating Profit (PBIDT) increased by a more modest 20.6% due to strong cost push and high pulp prices. The Net profit stood at Rs 38.01 crores.

The first half of the year 2008-09 had witnessed a lot of volatility in the debt markets on account of rising crude oil prices, inflation and the rate hikes by RBI to control inflation. As credit crisis gripped the world in the second half of 2008, liquidity position in the financial markets became very tight resulting in high rates of interest on new loans.

During the year 2008-09, the Company had managed its working capital limits with a mix of short term demand loans, overseas buyers' credit. The Company has managed to control the average interest rate well under double digit on its entire debt as on 31st March, 2009.

The year 2008-09 had witnessed sharp volatility in the foreign exchange market. Indian rupee depreciated by around 26% against the US dollar, the largest swing for Rupee against any currency in any direction. In such a scenario, the Company adopted an appropriate forex management policy, including the use of currency swaps to manage the heightened volatility. However, the Company refrains from entering into any derivative structures which are not supported by underlying transactions.

The Central Government, vide Notification dated 31st March, 2009, has amended Accounting Standard (AS) 11 *The Effects of Changes in Foreign Exchange Rates*, notified under the Companies (Accounting Standard) Rules, 2006. The amendment allows capitalization of foreign exchange difference arising on long-term monetary items taken for capital assets and amortization over the balance life of the underlying asset.

The Company has opted for the change and has

capitalized the net foreign exchange loss (after adjusting gains from related forex contracts) on reporting of long-term foreign currency monetary items used for depreciable assets retrospectively w.e.f. 1st July 2007. Consequently, net profit for the year and net fixed assets are higher by Rs. 775.45 lacs and Rs 1,333.53 lacs respectively.

ENVIRONMENT & NEIGHBOURHOOD

Reflecting a commitment beyond mere compliance with rules and regulations, constant efforts are made to increase conservation of natural resources. The Company was able to further reduce its energy and water consumption per unit of production during the year. In its continuous pursuit for water conservation, Unit CPM has drawn up schemes for rain water harvesting and is planning to carry out several projects in the years to come.

The Company deploys eco-friendly technology to provide a safe and clean environment in its neighbourhood. In recognition of the Company's efforts in these areas, Unit CPM has bagged the Greentech Environment Excellence Silver Award 2008 and Unit JKPM has been conferred (i) the prestigious "National Ground Water Augmentation Award - 2008" by Ministry of Water Resources, Govt. of India and (ii) "Certificate of Appreciation for Excellence in Energy Management - 2008" by Bureau of Energy, Government of India.

Lime kilns have been installed at both the units and will be fully operational soon. This will help in reduction of disposal of lime sludge substantially. With the Technology upgradation of Chlorine Dioxide generation plant at CPM, the quantity of Acidic effluent has reduced substantially. Moreover this acidic waste is now being consumed in Pulp Mill for pH control application, thus conserving chemical and reducing pollution. The fly ash which was being disposed off in the ravines is being used increasingly in brick manufacturing.

Unit JKPM has taken up construction of an Engineering Land Fill for disposal of Hazardous wastes under the guidelines of MoEF. With the help of Minor Irrigation

Division of Govt. of Orissa, JKPM is carrying out survey for diversion of its treated effluent for Irrigation of various crops in the nearby private farm lands.

The Company has always been focused on growth with sustainable development plans. It has consistently maintained harmony with nature by adopting eco-friendly technologies and upgrading them from time to time.

Both the units of the Company are ISO 14001 certified for their eco friendly operations and OHSAS 18001 for Health, Safety and Security.

HUMAN RESOURCE DEVELOPMENT

The mission of the Human Resource function is to build and sustain a motivated leadership pipeline and to provide an empowering environment in which people can feel enthused to deliver their best for the progress of both the Company and themselves.

This starts with careful scrutiny at the time of entry where employees are put through rigorous screening process to ensure right fit between the Company's current and emerging requirements and employee aspirations. The developmental needs for each employee is identified at the time of annual appraisal and employees are put through an appropriate mix of internal and external training programmes and other facilitating mechanisms.

The Company continues to put high emphasis on improved business performance year after year. As a result of this, the individual goals and targets of the management team were finalized in a workshop well before the close of the financial year. These are being cascaded down to other managerial cadre staff.

As a part of the customer-in culture, a few distinguished Dealers/ Wholesalers were invited to share their experiences and expectations from the Company during the Goal Setting Workshop, thereby helping the senior management to orient their goals for 2009-10 towards these. Besides, several visits to customer locations by the executives not working in

Marketing & Sales were also arranged from the Plants as well as Head Office.

The Executive Coaching undergone by some of the senior Executives through M/s Hewitt Associates, a renowned HR Consultancy firm, immensely benefited them through significant change in high-impact behaviors.

● Training and Development

At the top management level strategic skills and organization building skills are emphasized, at the middle management level it is largely focused on preparing future leadership, whereas at junior management levels appropriate functional skills training is imparted. The entire top management of the Company assembled at the ISB, Hyderabad for a 3-day summit on "Strategies for Quantum Growth". The young talents of the Company have also undergone 1 to 2 weeks' Leadership Programmes at IIM, Bangalore.

INTERNAL CONTROL SYSTEM

The Company continuously updates its systems and procedures in order to keep it contemporary and to ensure that it is commensurate with size and nature of its business. The effectiveness of internal control is regularly tested by Internal Audit Department of the Company supplemented by independent outside Internal Auditors. They conduct regular audits based on annual internal audit programme agreed with Audit Committee of the Board covering all the offices, factories and key area of business. The Audit Committee closely monitors this process. Audit findings are reviewed by Audit Committee along with management response. The committee also reviews the effectiveness of Company's internal control and their effectiveness in actual operation and regularly monitors implementation of audit recommendations. The system ensures efficient utilization of Company's resources and protection of assets from loss, theft, misappropriation and relevant risks.

RISK MANAGEMENT

The Company has mapped the operating risks after due discussions with the staff concerned and a detailed study and analysis of various records of break downs, failures, delays and accidents. Appropriate preventive measures have been worked out for due implementation. These are being reviewed and modified suitably from time to time.

For new projects, all risks including market risks, operating risks, financial risks, etc are discussed and suitable measures agreed upon before implementation. The Company documents these measures for periodic review.

The Company does not enter into any derivative deals in foreign exchange without an underlying exposure. The Company normally hedges about 70% of the emerging exposures as and when they arise. Interest rate risks are swapped as and when conditions are favourable.

CAUTIONARY STATEMENT

"Management Discussion and Analysis Report" contains forward-looking statements, which may be identified by the use of words in that direction or connoting the same. All statements that address expectation or projections about the future, including, but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results are forward looking statements.

The Company's actual results, performance or achievement could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events.

CORPORATE GOVERNANCE REPORT

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. The core values of the Company are :-

- Commitment to excellence and customer satisfaction
- Maximizing long term shareholders' value
- Socially valued enterprise and
- Caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate

aim of enhancing long-term shareholders' value and remaining committed to high standards of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire management cadre.

2. BOARD OF DIRECTORS

The Board of Directors presently consists of Twelve Directors of which three are Executive Directors and nine are Non-executive Directors. Details are as given hereunder:

Director	Category	No. of Board Meetings attended during 2008-09	Whether attended last A.G.M. (29.08.2008)	No. of other Directorships and Committee Memberships / Chairmanships		
				Other Directorships*	Other Committee Memberships **	Other Committee Chairmanships **
Shri Hari Shankar Singhania, Chairman	Executive	5	No	3	–	–
Shri Arun Bharat Ram	Non- Executive Independent	3	No	10	3	–
Shri Dharendra Kumar	Non- Executive non- Independent	5	No	7	2	–
Shri M.H.Dalmia (w.e.f. 14.05.2009)	Non-Executive Independent	N.A.	N.A.	3	1	–
Shri R. V. Kanoria	Non-Executive Independent	4	No	9	–	–
Shri S. K. Pathak	Non-Executive Independent	–	No	–	–	–
Shri Shailendra Swarup	Non-Executive Independent	3	No	4	1	–
Shri Shailesh Haribhakti (w.e.f. 21.07.2008)	Non-Executive Independent	2	No	14	5	5
Shri Udayan Bose	Non-Executive Independent	5	Yes	3	2	–
Smt. Vinita Singhania (w.e.f. 14.05.2009)	Non-Executive non-Independent	N.A.	N.A.	3	–	–
Shri Harsh Pati Singhania, Managing Director	Executive	5	Yes	2	1	–
Shri O. P. Goyal, Whole-time Director	Executive	5	Yes	2	–	–

Shri Gajanan Khaitan, Director expired on 23.01.2009 (attended 3 Board Meetings).

* excludes Directorships in Private Ltd Companies, Foreign Companies, memberships of Managing Committees of various Chambers/bodies/Section 25 Companies.

** only covers Memberships/Chairmanships of Audit Committee and Shareholders/Investors Grievance Committee.

Shri Dharendra Kumar and Smt. Vinita Singhania, Directors are relatives of Shri Hari Shankar Singhania, Chairman.

DATE AND NUMBER OF BOARD MEETINGS HELD: -

Five Board Meetings were held during the year 2008-09 on 19th April 2008, 26th June 2008, 21st July 2008, 17th October 2008 and 20th January 2009.

The Board periodically reviews Compliance Reports of all laws applicable to the Company and has put in place procedure to review steps to be taken by the Company to rectify instances of non-compliances, if any.

The Company already has a Code of Conduct in position for Management Cadre Staff (including Executive Directors). In terms of the Clause 49 of the Listing Agreement and contemporary practices of good corporate governance, the Board has laid down a code of conduct for all Board Members and Senior Management of the Company and the same is available on the website (www.jkpaper.com). All the Board Members and Senior Management Personnel have affirmed compliance with the code. This report contains a declaration to this effect signed by Managing Director.

3. AUDIT COMMITTEE

Terms of Reference of the Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956.

The Committee presently consists of Shri Udayan Bose (Chairman), Shri Dharendra Kumar, Shri R.V. Kanoria, and Shri Shailendra Swarup, as members. The Composition of the Committee is in conformity with Clause 49 II (A) of the Listing Agreement. Shri Harsh Pati Singhania, Managing Director and Shri O.P. Goyal, Whole-time Director are the permanent invitees.

Five meetings of the Audit Committee were held during the year 2008-09 as detailed hereunder:

Dates of meetings	No. of members attended
19th April 2008	3
26th June 2008	4
21st July 2008	3
17th October 2008	3
20th January 2009	3

4.1 REMUNERATION COMMITTEE (Non mandatory):

A Remuneration Committee comprising of four Independent Directors, namely Shri Shailendra Swarup, (Chairman), Shri Arun Bharat Ram, Shri Gajanan Khaitan and Shri R.V.Kanoria, was constituted on 26th June 2008 to consider, determine and recommend remuneration to the Executive Director(s) of the Company. Shri Gajanan Khaitan, a member of the Committee, expired on 23rd January 2009. The Committee presently consists of three Independent Directors, namely Shri Shailendra Swarup, (Chairman), Shri Arun Bharat Ram and Shri R.V.Kanoria.

4.2 REMUNERATION PAID TO DIRECTORS:

A. Executive Directors

The aggregate value of salary, perquisites and contribution to Provident Fund and Superannuation Fund for the year ended 31st March, 2009 to the Chairman, the Managing Director and the Whole-time Director is as follows: Shri Hari Shankar Singhania, Rs 184.17 lac plus Rs.62.96 lac payable as commission; Shri Harsh Pati Singhania, Rs. 166.39 lac plus Rs. 62.96 lac payable as commission and performance linked incentive as applicable; and Shri O. P. Goyal, Rs. 81.63 lac plus Rs. 25.00 lac payable as commission and performance linked incentive as applicable.

The Company does not have any Stock Option Scheme. In the case of Executive Directors, notice period is 6 months. Severance fee for the Chairman and the Managing Director is remuneration for the unexpired residue of term or for 3 years, whichever is shorter and for the Whole-time Director, 6 months salary in lieu of notice period.

B. Non-executive Directors

The Non-Executive Directors were paid sitting fees of Rs.15,000/- for each meeting of

the Board, Rs. 10,000/- for each meeting of Audit Committee and Rs. 5,000/- for each meeting of other Committees of the Board attended by them and the company has paid Rs. 6,00,000/- towards sitting fees to them during the year 2008-09. Besides the sitting fees, they are also paid commission. At the Annual General Meetings of the Company held on 19.09.2002 and on 12.12.2007, the Members had approved payment of commission not exceeding 1% per annum of the net profits of the Company to the Non - Executive Directors. Each year, the Board fixes the amount to be paid as commission to them. For the year 2008-09, the Board has approved a commission of Rs. 3 lac each to be paid to Shri Arun Bharat Ram, Shri Dharendra Kumar, Shri R.V. Kanoria, Shri S. K. Pathak, Shri Shailendra Swarup, and Shri Udayan Bose, Rs. 2.45 lac to Shri Gajanan Khaitan & Rs.2.09 Lac to Shri Shailesh Haribhakti.

The Non-executive Directors did not have any other material pecuniary relationship or transactions vis-à-vis the Company during the year.

None of the Non-Executive Directors are holding any shares in the Company, except Smt. Vinita Singhania, who is holding 50,000 Equity Shares of Rs.10/- each of the Company.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Committee presently consists of four Directors, namely Shri Shailendra Swarup (Chairman), Shri Arun Bharat Ram, Shri Harsh Pati Singhania, Managing Director and Shri O.P. Goyal, Whole-time Director. The Composition of the Committee is in conformity with Clause 49 IV (G) (iii) of the Listing Agreement. Five meetings of the said Committee were held during the year 2008-09 as detailed hereunder:

Dates of meetings	No. of members attended
19th April 2008	4
26th June 2008	4
21st July 2008	3
17th October 2008	2
20th January 2009	3

Shri S.C. Gupta, Company Secretary, is the Compliance Officer.

One investor complaint was received during the financial year ended 31st March 2009, which was promptly resolved to the satisfaction of the investor concerned. The Board has delegated the power of share transfer to a committee of Directors and the share transfer formalities are attended to as required. All valid requests for transfer of shares in physical form were processed in time and there were no pending transfers of shares.

6. GENERAL BODY MEETINGS:

(i) Location and time for last three Annual General Meetings were:

Year	Location	Date	Time
2005-06	P.O. Central Pulp Mills - 394 660 Fort Songadh, Distt. Tapi (formerly Distt. Surat), Gujarat	21-11-2006	12.30 P.M.
2006-07	Same as above	12-12-2007	2.00 P.M.
2007-08	Same as above	29-08-2008	12.30 P.M.

(ii) No Special Resolutions were required to be put through postal ballot last year. No Special Resolution is proposed to be conducted through postal ballot at the ensuing Annual General Meeting.

(iii) Special Resolutions passed in previous 3 Annual General Meetings:

(a) At the last Annual General Meeting of the Company held on 29th August 2008, Special Resolutions were passed unanimously, for revision in salary range of Chairman, Managing-Director and Whole-time Director of the Company for the remaining period of their respective tenures.

(b) At the Annual General Meeting of the Company held on 12th December 2007, Special Resolution was passed unanimously for approval of payment of Commission to the Directors other than the Managing or Whole-time Directors.

(c) At the Annual General Meeting of the Company held on 21st November 2006, Special Resolutions were passed unanimously:

{(i) to (iii)} to re-appoint and determine the Terms of Remuneration of Chairman, Managing Director and Whole-time Director.

(iv) to authorise to get delisted voluntarily from Vadodara Stock Exchange Limited.

7. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large. None

Suitable disclosure as required by Accounting Standard (AS-18) - Related Party Disclosures, has been made in the Annual Report.

Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. None

The Company has a risk management system and has laid down procedures to inform Board Members about risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

8. MEANS OF COMMUNICATION

Quarterly and annual financial results are normally published in the English Newspaper Business Standard and the Gujarati Newspaper Sandesh, etc. and are promptly furnished to the Stock Exchanges for display on their respective websites. The results are also displayed on the web-site of the company "www.jkpaper.com". Full version of the Annual Report, Corporate Governance Report, financial results and shareholding pattern of the Company are posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website namely "www.sebiedifar.nic.in". The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, "www.sebi.gov.in". Management Discussion & Analysis forms part of the Annual Report.

9. GENERAL SHAREHOLDERS' INFORMATION:

- (i) Annual General Meeting (AGM) :-

(a) Date and Time : Monday, 3rd August, 2009 at 2.30 P.M.

Venue : P.O. Central Pulp Mills- 394660, Fort Songadh, Distt. Tapi, Gujarat.

- (b) As required under Clause 49 IV (G) (i), a brief resume and other particulars of Directors seeking appointment or retiring by rotation and seeking re-appointment at the aforesaid AGM are given in the Notes to the Notice convening the said Meeting.

- (ii) **Book Closure** : 21st July 2009 to 3rd August 2009 (both days inclusive)

- (iii) **Dividend Payment Date** : Upto September 2009

- (iv) **Financial Calendar** : Year Ending March 31

Annual General Meeting for the year ending March 31, 2010 Between June and September 2010

- (v) **Listing of Equity Shares (including Stock Code):**

The Equity Shares of the Company are listed on National Stock Exchange of India Limited (Stock Code JK Paper) and Bombay Stock Exchange Limited (Stock code 532162). Listing Fee for the year 2009-10 has been paid to the said Stock Exchanges.

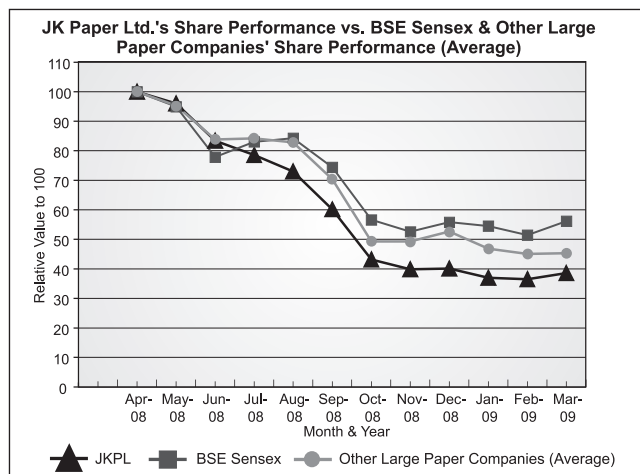
- (vi) **Stock Market Price Data :**

Month	Stock Market Price on Bombay Stock Exchange Limited (BSE)		Stock Market Price on National Stock Exchange of India Limited (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2008				
April	42.25	34.50	45.95	34.15
May	43.50	36.00	43.50	37.55
June	40.00	33.65	44.90	33.70
July	34.90	31.20	38.50	31.50
August	34.00	29.25	33.45	29.00
September	29.95	22.05	29.90	23.40
October	26.30	16.10	25.80	16.05
November	18.95	15.60	20.85	14.50
December	17.00	15.50	16.95	15.10
2009				
January	18.00	14.75	18.00	14.70
February	17.50	14.51	15.95	14.50
March	16.00	14.00	16.55	14.00

(Source: www.bseindia.com)

(Source : www.nseindia.com)

(vii) **JK Paper Ltd.'s Share Performance vs. BSE Sensex & Other Large Paper Companies' Share Performance (Average) [April 08 to March 09]:**



(Source: www.bseindia.com)

(viii) **Dematerialisation of shares and liquidity:**

The Equity Shares of the Company are presently

tradeable in compulsory demat segment. The ISIN No. for Equity Shares of the Company for both the depositories is INE789E01012. As on 31st March 2009, 99.95% of the Company's Equity Share Capital was in dematerialised form.

In respect of Shares held in electronic form, all the requests for nomination, change of address and rematerialisation etc. are to be made only to the Depository Participant with whom the Shareholders have opened their Demat Account. The Company will not be in a position to process such requests.

(ix) **Share transfer system :**

The transfer / transmission of shares in physical form is normally processed and completed within a period of 15-20 days from the date of receipt thereof. In case of shares in electronic form, the transfers are processed by NSDL/ CDSL through the respective Depository Participants.

(x) (a) **Distribution of Equity Shareholding (both in physical and electronic form) as on 31st March 2009:**

Number of Equity Shares held	Shareholders		Shares Held	
	Number	%	Number	%
1 to 500	14,411	77.11	26,06,189	3.33
501 to 1,000	1,973	10.56	17,15,178	2.19
1,001 to 5,000	1,733	9.27	40,04,321	5.13
5,001 to 10,000	273	1.46	20,74,718	2.66
Over 10,000	298	1.60	6,77,49,533	86.69
Total	18,688	100.00	7,81,49,939	100.00

(b) **Pattern of Equity Shareholding (both in physical and electronic form) as on 31st March 2009:**

Category	No. of Equity Shares held	Percentage of Shareholding
Domestic Companies	3,40,41,356	43.56
Resident Individuals	2,78,54,961	35.64
FIs, Mutual Funds & Banks	36,00,903	4.61
Foreign Investors/ FIIs / NRIs	1,26,52,719	16.19
Total	7,81,49,939	100.00

(xi) **Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity:**

FCCBs : 1.25% Foreign Currency Convertible Bonds (FCCBs) issued by the Company on 30th March 2006 redeemable on the expiry of five years (due 2011) aggregating to US \$ 5 Million are convertible into 23,52,105 Equity Shares at conversion price of Rs. 95/- per share at the option of the Bond holder(s), on receipt of conversion notice. The FCCBs are listed on the Luxembourg Stock Exchange (Code: XS0249431940).

(xii) **Plant locations :**

- (i) JK Paper Mills
Jaykaypur - 765 017
Distt. Rayagada (Orissa).
- (ii) Central Pulp Mills
P.O. Central Pulp Mills - 394 660
Fort Songadh
Distt. Tapi (Gujarat)

(xiii) **Address for correspondence for Share Transfer and related matters:**

I. Registrar and Share Transfer Agent (RTA)
M/s MCS Limited,
F-65, 1st Floor,
Okhla Industrial Area, Phase - I,
New Delhi-110 020
Ph. (011) 41406149-52
Fax No.(011)-41709881
E-mail: admin@mcsdel.com

2. Company Secretary
JK Paper Limited
Gulab Bhawan (Rear Block - 3rd Floor)
6A, Bahadur Shah Zafar Marg
New Delhi-110 002
Ph. 011-41011116
(ext : 274, 392, 677)
Fax No. 91-11-23739475

(xiv) **Exclusive e-mail ID for redressal of investors complaints:**

In compliance of Clause 47(f) of the Listing Agreement, "sharesjkpaper@jkm.com" is the e-mail ID exclusively for the purpose of registering complaints by investors.

10. DECLARATION:

This is to confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for Directors and Senior Management adopted by the Board.

Harsh Pati Singhania
Managing Director

11. CODE FOR PREVENTION OF INSIDER TRADING:

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, the Board of Directors of the Company has adopted a Code of Conduct for Prevention of Insider Trading in the securities of the Company by its employees in terms of Schedule I to the said Regulations.

AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of JK Paper Limited

We have examined the compliance of conditions of Corporate Governance by JK Paper Limited for the year ended on 31st March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as per records maintained by the shareholders/Investors grievance committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For LODHA & CO.
Chartered Accountants

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

Place : New Delhi
Date : 14th May 2009

N.K.Lodha
Partner
(Membership No.85155)

Yogesh K. Gupta
Partner
(Membership No. 93214)

Disclosure of names of persons constituting group in relation to JK Paper Limited pursuant to Regulation 3 (I) (e) (i) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997.

JK Lakshmi Cement Limited, JK Tyre & Industries Ltd., Fenner (India) Ltd., JK Agri Genetics Ltd., BMF Investments Ltd., Florence Alumina Ltd., JK Sugar Ltd., Bengal & Assam Company Ltd., Nav Bharat Vanijya Ltd., Juggilal Kamlapat Udyog Ltd., Param Shubham Vanijya Ltd., J.K. Credit & Finance Ltd., Pranav Investment (M.P.) Company Ltd., Southern Spinners and Processors Ltd., Modern Cotton Yarn Spinners Ltd., Hansdeep Industries and Trading Company Ltd., Bhopal Udyog Ltd., Accurate Finman Services Ltd., Sago Trading Ltd., Dwarkesh Energy Ltd., Saptrishi Consultancy Services Ltd., JK Enviro-Tech Ltd., J.K. Risk Managers & Insurance Brokers Ltd., Panchmahal Properties Ltd., Acorn Engineering Ltd., Elate Builders Pvt. Ltd., LVP Foods Pvt. Ltd., CliniRx Research Pvt. Ltd., Rouncy Trading Pvt. Ltd., M/s. Habras International, M/s Juggilal Kamlapat Lakshmiapat and Directors of the promoter group and their relatives.

AUDITORS' REPORT

To the Members of JK PAPER LIMITED

We have audited the attached Balance Sheet of JK PAPER Limited, as at 31st March, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (The Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the companies act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
- ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For LODHA & CO.
Chartered Accountants

(N. K. LODHA)
Partner

Membership No.: - 85155

Place : New Delhi

Date : 14th May, 2009

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

(YOGESH K. GUPTA)
Partner

Membership No.: - 93214

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (I) of our Report of even date of J.K. PAPER Limited for the year ended 31st March 2009)

- 1) (a) The Company has maintained proper records in respect of its fixed assets showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the Management according to the programme of periodical verification in phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. The discrepancies, if any, noticed on such physical verification have been properly dealt with in the books of accounts.
- (c) As per the records and information and explanations given to us, no substantial part of fixed assets has been disposed off during the year.
- 2) (a) We have been explained by the management that the inventory has been physically verified at reasonable intervals during the year and confirmations are obtained where inventory are lying with third parties.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventory. As far as we can ascertain and according to information and explanations given to us by the management, the discrepancies whenever material noticed on such physical verification of inventory as compared to book records were properly dealt with in the books of accounts.
- 3) (a) As informed to us, the Company has given unsecured loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year in respect of said Company is Rs 2,103.91 Lac and the year end balance of such loan is Rs 1,996.40 Lac.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms & conditions on which aforesaid loan has been given are not, prima facie, prejudicial to the interest of the Company.
- (c) In respect of aforesaid loan, the amount of principal as well as interest is regular.
- (d) In respect of the loan given by the Company, no amount, principal as well as interest, is overdue and therefore provision of clause 4(iii) (d) is not applicable.
- (e) As informed to us, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) and (g) of the Order are not applicable to the Company.
- 4) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is reasonable internal control system commensurate with the size of the Company (read with note no. B. 17(b) of schedule 20) and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5) (i) According to the information and explanations provided by the management and based upon audit procedures performed, we are of the opinion that the particulars of contracts or arrangements that needs to be entered into register maintained pursuant to section 301 of the Act have been so entered; and

- (ii) In our opinion and according to information and explanations given to us, the transactions, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of five lac rupees in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under with regard to deposits accepted from the public. We have been informed that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard.
- 7) The Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account and records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate and complete.
- 9) (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Income Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities and there are no undisputed statutory dues payable for a period of more than six months from the

date they become payable as at 31st March 2009.

- (b) According to the records and information and explanation given to us, there are no dues in respect of Wealth Tax, Service Tax and Custom Duty that have not been deposited with the appropriate authorities on account of any dispute and the dues in respect of Sales Tax, Income Tax, Excise Duty and Cess that have not been deposited with the appropriate authority on account of dispute and the forum where the dispute is pending are given below:-

Nature of statute	Nature of dues	Period to which the amount relates	Amount Involved (Rs. in Lac)	Forum where dispute is pending
Sales Tax Act	Sales Tax	2002-03 1997-98/2002-07 2004	0.73 19.93 22.99	Dy. Commissioner, Delhi Sales Tax Tribunal, Cuttack Allahabad High Court
Central Excise Act	Excise Duty	1979-80/ 1981-82 1982-83 1987-94 2001-05	89.20 40.75 130.63 0.85	Commissioner Central Excise, Bhubneshwar Supreme Court High Court, Orissa Commissioner (Appeals), Bhubneshwar
Income Tax Act, 1961	Income Tax	2003-04 2004-05 2005-06	1,439.45 6.98 59.45	Commissioner (Appeals) Appellate Tribunal Commissioner (Appeals)
Provident Fund Act	Provident Fund	2006-07	28.24	High Court, Orissa
Water (PCP) Cess Act, 1977	Cess	2000-05	19.34	Cess Appellate Committee, OSPCB, Bhubneshwar

- 10) The Company does not have accumulated losses and has not incurred cash losses during the current year and in the immediately preceding financial year.
- 11) In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of any dues to banks, financial institutions and debenture/bond holders.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The Company is not a chit fund or a nidhi /mutual benefit fund /society, therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.

- 14) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- 15) According to the information and explanations given to us, the Company has given an undertaking to Infrastructure Development Finance Company Limited against loan given to JK Enviro-tech Limited amounting to Rs. 4,000 Lac as stated in note no. B.3 (b) of schedule 20. In our opinion, the terms and conditions on which the Company has given the undertaking is not, prima facie, prejudicial to the interest of the Company. As explained to us, the Company has not given any guarantee for loans taken by others from banks.
- 16) In our opinion and on the basis of information and explanations given to us, the term loans were applied for the purposes for which they were obtained.
- 17) According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have not been used for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties and companies

covered in the register maintained under section 301 of the Act during the year.

- 19) According to the information and explanations given to us and the records examined by us, security or charge has been created in respect of the debentures/bonds issued.
- 20) The Company has not raised any money through a public issue during the year.
- 21) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For LODHA & CO.
Chartered Accountants

(N. K. LODHA)
Partner
Membership No.: - 85155

For S.S. KOTHARI MEHTA & CO.
Chartered Accountants

(YOGESH K. GUPTA)
Partner
Membership No.: - 93214

Place : New Delhi
Date : 14th May, 2009

BALANCE SHEET

AS AT 31ST MARCH, 2009

Rs. in crore (10 Million)

	Schedule	31 st March, 2009	31 st March, 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	78.56	78.96
Reserves and Surplus	2	330.30	313.62
		<u>408.86</u>	<u>392.58</u>
LOANS			
Secured Loans	3	563.41	583.54
Unsecured Loans	4	132.45	137.78
		<u>695.86</u>	<u>721.32</u>
Deferred Tax Liability (Net)		109.94	94.28
	TOTAL	<u>1,214.66</u>	<u>1,208.18</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		1,413.45	1,367.52
Less: Depreciation		<u>484.74</u>	<u>418.06</u>
Net Block		928.71	949.46
Capital work-in-progress		13.96	16.23
		<u>942.67</u>	<u>965.69</u>
INVESTMENTS			
	6	2.75	2.75
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	117.11	120.34
Sundry Debtors	8	107.15	110.87
Cash and Bank Balances	9	34.22	3.50
Other Current Assets		-	41.70
Loans and Advances	10	162.24	131.74
		<u>420.72</u>	<u>408.15</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
	11	152.95	171.09
NET CURRENT ASSETS			
		<u>267.77</u>	<u>237.06</u>
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)		1.47	2.68
	TOTAL	<u>1,214.66</u>	<u>1,208.18</u>
	20		

NOTES ON ACCOUNTS

Schedules 1 to 11 and 20 attached to the Balance Sheet are an integral part thereof.

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole-time Director

N.K. LODHA
Partner

YOGESH K. GUPTA
Partner

S.C. GUPTA
Company Secretary

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAIENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

New Delhi, the 14th May, 2009

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2009

Rs. in crore (10 Million)

	Schedule	2008-09 (12 Months)	2007-08 (9 Months)
INCOME			
Sales		1,268.34	749.31
Less: Discounts		126.10	75.23
		1,142.24	674.08
Less: Excise Duty		65.06	66.50
Net Sales		1,077.18	607.58
Other Income	12	4.92	7.87
		1,082.10	615.45
Increase /(Decrease) in Stocks	13	6.97	4.09
		1,089.07	619.54
EXPENDITURE			
Employees	14	99.79	71.00
Materials and Manufacturing	15	764.18	410.59
Other Expenses	16	42.86	21.71
		906.83	503.30
PROFIT BEFORE INTEREST AND DEPRECIATION		182.24	116.24
Interest & Financial Charges	17	58.47	35.46
Exceptional Items		-	6.93
Less: Transfer from General Reserve (Note no. B.7, Schedule 20)		-	6.93
PROFIT BEFORE DEPRECIATION & TAX		123.77	80.78
Depreciation	18	69.69	45.86
PROFIT BEFORE TAX		54.08	34.92
Provision for Current Tax		5.99	6.13
Provision for Fringe Benefit Tax		1.21	0.99
MAT Credit Entitlement		(6.79)	(6.13)
PROFIT BEFORE DEFERRED TAX		53.67	33.93
Provision for Deferred Tax		15.66	(0.78)
PROFIT AFTER TAX		38.01	34.71
Debenture Redemption Reserve Written Back		-	2.44
Surplus brought forward		93.90	73.78
		131.91	110.93
Appropriations:			
Capital Redemption Reserve		0.40	-
General Reserve		3.50	3.25
Proposed Dividend	19	13.73	11.78
Corporate Dividend Tax		2.33	2.00
Surplus carried to Balance Sheet		111.95	93.90
		131.91	110.93
Earnings per Share (Rs.):			
- Basic		4.86	4.43
- Diluted		4.74	4.31

NOTES ON ACCOUNTS

20

Schedule 12 to 20 attached to the Profit and Loss Account are an integral part thereof.

This is the Profit and Loss Account referred to in our report of even date.

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole-time Director

N.K. LODHA
Partner

YOGESH K. GUPTA
Partner

S.C. GUPTA
Company Secretary

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAILENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

New Delhi, the 14th May, 2009

Rs. in Lac (0.1 Million)

31st March, 200931st March, 2008**Schedule I****CAPITAL****Authorised :**

Equity Shares - 20,00,00,000	20,000.00	20,000.00
(Previous year - 20,00,00,000) of Rs.10 each		
Redeemable Preference Shares - 3,00,00,000	30,000.00	30,000.00
(Previous Year - 3,00,00,000) of Rs.100 each		
	<u>50,000.00</u>	<u>50,000.00</u>

Issued, Subscribed and Paid-up :

Equity Shares - 7,81,49,939 (Previous year 7,81,49,939) of Rs. 10 each fully paid up	7,814.99	7,814.99
10% Cumulative Redeemable Preference Shares - 41,000 (Previous Year 81,000) of Rs.100 each fully paid-up (a)	41.00	81.00
	<u>7,855.99</u>	<u>7,895.99</u>

Note:

- (a) These shares were allotted as fully paid-up pursuant to the Scheme sanctioned by the Hon'ble High Courts of Orissa & Gujarat. Company has redeemed 10% Cumulative Redeemable Preference Shares (Series C) of Rs.40 Lac with premium of Rs. 545 Lac. Series D of Rs. 21 Lac is redeemable on 30th day of June, 2009 alongwith premium on redemption of Rs. 545 Lac. Series E, F and G of Rs. 11 Lac, Rs. 6 Lac and Rs. 3 Lac are redeemable on 30th day of June, 2010, 2011 and 2012 respectively alongwith premium on redemption of Rs. 546 Lac with each Series.

Schedule 2**RESERVES AND SURPLUS**

Description	1 st April 2008	Additions	Transfers/ Adjustments	31 st March, 2009
Capital Redemption Reserve	219.00	40.00	-	259.00
Revaluation Reserve	649.87	-	(a) 87.06	562.81
Securities Premium	19,804.36	-	(b) 545.00	19,259.36
General Reserve	1,299.67	(c) 454.81	-	1,754.48
Surplus in Profit and Loss Account	9,389.44	11,194.46	(d) 9,389.44	11,194.46
	31,362.34	11,689.27	10,021.50	33,030.11

Notes:

- (a) To Profit and Loss Account towards additional Depreciation arising out of revaluation of Fixed Assets (Previous year Rs. 34.94 Lac).
(b) Premium on Redemption of Preference Shares adjusted (Previous year NIL)
(c) Amount of Rs. 104.81 Lac (net of depreciation Rs. 0.48 Lac) has been added in the opening balance of general reserve due to capitalisation of foreign exchange loss in accordance with recent notification, G.S.R. 225 (E) dated 31st March 2009, issued by the Central Government in regards to AS 11. (Note no. B.19 (b), Schedule 20)
(d) To Profit & Loss Account.

Rs. in Lac (0.1 Million)

31st March, 2009

31st March, 2008

Schedule 3

SECURED LOANS

Term Loans from Financial Institutions	9,965.61	7,098.78
Term Loans from Banks	39,840.95	41,259.56
Working Capital Loans from Banks	4,534.95	9,995.81
Short-Term Loan from Bank	2,000.00	—
	<u>56,341.51</u>	<u>58,354.15</u>

Notes:

- A** (i) Term Loans of Rs. 931.61 Lac (Fls – Rs. 547.82 Lac, Banks Rs. 383.79 Lac) are secured by first pari passu mortgage / charge created on the immovable & movable assets of Unit - JKPM and movable assets acquired after 01.04.2000 of Unit - CPM of the Company.
- (ii) Term Loans of Rs. 46,743.96 Lac (Fls – R. 8,816.97 Lac, Banks Rs. 37,926.99 Lac) are secured by means of first pari passu mortgage/charge created/to be created on the fixed assets of the company save and except specific assets exclusively charged in favour of specified lenders as mentioned in clause B. Out of the above Term Loan, Rs. 16,642.50 Lac (Fls - Rs. 7,642.50 Lac, Banks Rs. 9,000.00 Lac) are further secured / to be secured by second charge on the current assets of the Company.
- B** Term Loan of Rs. 1,530.17 Lac from Banks and Direct discounting facility (equipment) of Rs. 600.82 Lac from Financial Institution are secured by an exclusive charge by way of hypothecation on the specified assets of the Company.
- C** Short Term Loan of Rs. 2,000.00 Lac from Bank is secured by subservient charge over movable fixed assets and current assets of the Company.
- D** Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts. The same are further secured / to be secured by a second charge on the immovable assets of the Company.
- E** Instalments of Term Loans repayable within one year - Rs. 10,698.91 Lac.
- F** Term loans from Financial Institutions and Banks include Rs. 16,172.07 Lac foreign currency loans.

Rs. in Lac (0.1 Million)

31st March, 200931st March, 2008**Schedule 4****UNSECURED LOANS**

Fixed Deposits	1,597.74	1,824.23
1.25% Foreign Currency Convertible Bonds due 2011 (FCCB's)	2,547.50	1,998.50
Foreign Currency Term Loan from Bank	605.53	–
Short-Term Loans from Banks	5,500.00	8,000.00
Buyers Credit facilities from Bank	2,993.75	1,721.05
Interest free Deferred Payment Liabilities	–	233.76
	<u>13,244.52</u>	<u>13,777.54</u>

Note:

The bondholders have an option to convert FCCB's into equity shares at an initial conversion price of Rs. 95 per equity share at a fixed rate of exchange of Rs. 44.69=US \$ 1, from April 4, 2006 to March 17, 2011. The bonds are redeemable on March 30, 2011 at 130.441 percent of the principal amount, unless previously converted or purchased and cancelled. Premium on redemption, if any, will be provided in the year of redemption.

Schedule 5**FIXED ASSETS**

Rs. in Lac (0.1 Million)

Description	GROSS BLOCK (b)				DEPRECIATION				NET BLOCK	
	As at 1st April, 2008	Additions/ Adjust- ments	Sales/ Adjust- ments	As at 31st March, 2009	Upto last year	For the Year (d)	On Sales/ Adjust- ments	To date	As at 31st March, 2009	As at 31st March, 2008
Land - Freehold (a)	326.30	–	–	326.30	–	–	–	–	326.30	326.30
- Leasehold	20.60	–	–	20.60	2.08	0.26	–	2.34	18.26	18.52
Buildings	13,549.65	340.20	–	13,889.85	2,842.77	365.13	–	3,207.90	10,681.95	10,706.88
Plant & Machinery	118,610.09	4,815.66	647.98	122,777.77	37,250.31	6,223.18	295.69	43,177.80	79,599.97	81,359.78
Furniture, Fixtures & Equipments	1,485.75	112.03	15.13	1,582.65	628.62	134.93	7.13	756.42	826.23	857.13
Vehicles & Locomotives	1,084.24	94.40	133.02	1,045.62	275.11	94.99	57.73	312.37	733.25	809.13
Railway Sidings	464.41	–	–	464.41	158.48	21.92	–	180.40	284.01	305.93
Intangible Assets (c)										
- Performance Improvement & Development	486.89	–	–	486.89	422.02	64.87	–	486.89	–	64.87
- Software	724.16	103.58	76.75	750.99	226.93	151.63	28.98	349.58	401.41	497.23
Total	136,752.09	5,465.87	872.88	141,345.08	41,806.32	7,056.91	389.53	48,473.70	92,871.38	94,945.77
Previous year	107,120.00	30,109.77	477.68	136,752.09	37,516.89	4,652.87	363.44	41,806.32	94,945.77	

Notes:

- Includes cost of 4.67 acres land given on lease to Employees State Insurance Corporation for construction of Hospital for Employees and cost of 34.72 acres land for which title is yet to be transferred in name of the Company.
- Gross Block includes amount of revaluation (Note no. B.6, Schedule 20)
- Intangible Assets are being depreciated @ 20% p.a.
- During the year depreciation of Rs. 0.48 Lac has been adjusted against opening balance of general reserve (refer note (c), Schedule 2). Previous year Rs. 31.61 Lac being allocated to pre-operative expenses.

Rs. in Lac (0.1 Million)

31st March, 2009

31st March, 2008

Schedule 6

INVESTMENTS (Non-trade)

Long-term Investments (Quoted)

(Equity Shares fully paid up)

	Nos.	Book Value	Nos.	Book Value
JK Lakshmi Cement Ltd.	108,000	51.56	108,000	51.56
Udaipur Cement Works Ltd. (formerly J.K. Udaipur Udyog Ltd.)	5,000,000	500.00	5,000,000	500.00
Ashim Investment Company Ltd.*	-	-	12,000	5.73

Long-term Investments (Unquoted)

JK Enviro-tech Ltd. - Equity Shares	1,700,000	170.00	1,700,000	170.00
Bengal & Assam Company Ltd. - Equity Shares *	4,677	5.73	-	-
JK Paper Mills Employees' Co-Operative Stores Ltd. - Equity Shares	250	0.02	250	0.02
Government Securities (Deposited with Government Departments)	-	0.03	-	0.03
		<u>727.34</u>		<u>727.34</u>

Less : Provision for diminution in value of Investments
(Note no. B.7, Schedule 20)

(452.50)	(452.50)
<u>274.84</u>	<u>274.84</u>

Aggregate book value of quoted investments	99.06	104.79
Aggregate book value of unquoted investments	175.78	170.05
Aggregate market value of quoted investments	93.78	178.60

* During the year Ashim Investment Company Ltd. has been merged with Bengal & Assam Company Ltd, consequently 4,677 number of equity shares being allotted in consideration of 12,000 number of equity shares of Ashim Investment Company Ltd.

Purchased and Sold during the current year.

NIL

Schedule 7

INVENTORIES

(As certified by the Management)

Raw Materials	3,174.20	4,660.08
Stores, Spares and Chemicals	4,152.20	3,685.72
Finished Goods	3,271.50	2,214.84
Stock-in-process	1,113.17	1,473.22
	<u>11,711.07</u>	<u>12,033.86</u>

Rs. in Lac (0.1 Million)

31st March, 200931st March, 2008**Schedule 8****SUNDRY DEBTORS**

(Unsecured and considered good, net of provision)

Exceeding six months	2,369.27	2,225.44
Other Debts	8,345.29	8,861.70
	<u>10,714.56</u>	<u>11,087.14</u>

Schedule 9**CASH AND BANK BALANCES**

Cash on hand	23.21	24.78
Cheques/Drafts on hand	–	12.75
Balances with Scheduled Banks :		
On Current Accounts	38.80	76.22
On Unclaimed Dividend Accounts	12.74	8.08
On Deposit Accounts (Lodged with Government Authorities and Others Rs. 39.47 Lac, Previous year Rs. 65.78 Lac)	3,346.79	227.10
On Savings Bank Accounts (Employees Security Deposit)	0.63	1.02
	<u>3,422.17</u>	<u>349.95</u>

Schedule 10**LOANS AND ADVANCES**

(Unsecured and considered good, net of provision)

Advances recoverable in cash or in kind or for value to be received	12,194.91	9,875.35
Income Tax (Net)	707.09	498.58
MAT Credit Entitlement	2,255.12	1,576.56
Deposits with Government Authorities and Others	1,067.07	1,223.51
	<u>16,224.19</u>	<u>13,174.00</u>

Rs. in Lac (0.1 Million)

31st March, 2009

31st March, 2008

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities :

Acceptances	89.92	—
Sundry Creditors	10,012.67	11,478.08
Unclaimed Dividends @	12.74	8.06
Unclaimed Matured Deposits @	39.12	56.35
Interest accrued on Unclaimed Matured Deposits @	4.51	6.66
Other Liabilities	1,917.92	2,463.87
Interest accrued but not due on Loans	537.79	362.23
	<u>12,614.67</u>	<u>14,375.25</u>

Provisions:

Provision for Fringe Benefit Tax (Net)	15.03	29.21
Proposed Dividend	1,371.72	1,178.33
Tax on Proposed Dividend	233.12	200.26
Provision for Employee Benefits	1,060.15	1,325.95
	<u>15,294.69</u>	<u>17,109.00</u>

@ There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

2008-09
(12 Months)

2007-08
(9 Months)

Schedule 12

OTHER INCOME

Profit on sale of Fixed Assets (Net)	6.93	—
Provisions of earlier years no longer required (Net)	423.35	181.56
Profit on sale of Current Investments	—	0.04
Miscellaneous Income (Note no. B.II (a), Schedule 20)	61.22	605.46
	<u>491.50</u>	<u>787.06</u>

Schedule 13

INCREASE / (DECREASE) IN STOCKS

Opening Stocks

Stock-in-process	1,473.22	801.42
Finished Goods	2,214.84	2,040.76

Stock Carried from Pre-operation period

Stock-in-process	—	195.19
Finished Goods	—	241.88
	<u>3,688.06</u>	<u>3,279.25</u>

Closing Stocks

Stock-in-process	1,113.17	1,473.22
Finished Goods	3,271.50	2,214.84
	<u>4,384.67</u>	<u>3,688.06</u>
Increase / (Decrease)	<u>696.61</u>	<u>408.81</u>

Rs. in Lac (0.1 Million)

2008-09 (12 Months)	2007-08 (9 Months)
------------------------	-----------------------

Schedule 14**EMPLOYEES**

Salaries, Wages, Bonus and Gratuity etc.	8,221.02	5,828.70
Contribution to Provident and Other Funds	561.01	401.27
Employees' Welfare and other benefits	1,196.50	870.44
	<u>9,978.53</u>	<u>7,100.41</u>

Schedule 15**MATERIALS AND MANUFACTURING**

Raw Materials Consumed	28,143.37	15,053.88
Excise Duty on variation of Stock	(10.68)	(91.50)
Consumption of Stores, Spares and Chemicals	23,344.82	13,559.29
Purchase of Finished Goods	11,487.33	5,667.75
Power, Fuel and Water	12,293.89	6,318.53
Repairs to Buildings	461.49	311.40
Repairs to Machinery	697.29	239.08
	<u>76,417.51</u>	<u>41,058.43</u>

Schedule 16**OTHER EXPENSES**

Rent (Net)	140.19	103.70
Rates & Taxes	48.92	38.67
Insurance	16.57	32.31
Commission on Sales	156.84	113.94
Directors' Fee	6.00	1.13
Directors' Commission	22.54	15.75
Assets Written Off	277.34	–
Loss on Sale of Fixed Assets (Net)	–	0.19
Deferred Revenue Expenditure Written Off	138.22	127.77
Bad Debts	432.53	–
Provision for Doubtful Debts	377.72	–
Bank charges, Transport, Clearing and Forwarding Charges, Traveling and Other Misc. Expenses	2,669.07	1,737.02
	<u>4,285.94</u>	<u>2,170.48</u>

Rs. in Lac (0.1 Million)

2008-09
(12 Months)

2007-08
(9 Months)

Schedule 17

INTEREST & FINANCIAL CHARGES

Interest on :

- Term Loans, Debentures and Fixed Deposits	4,816.63	2,950.44
- Others	1,668.55	835.87
Foregin Exchange Fluctuation	(128.68)	75.39
Premium on Forward Exchange Contracts	202.72	231.16
	6,559.22	4,092.86

Less: Interest Income

(Include Tax deducted at Source - Rs. 123.65 Lac
Previous year Rs. 94.74 Lac)

741.77	561.32
5,817.45	3,531.54
29.75	14.56
5,847.20	3,546.10

Lease-rent on Machinery

Schedule 18

DEPRECIATION

Depreciation on Fixed Assets	7,056.43	4,621.26
Less: Transferred from Revaluation Reserve	87.06	34.94
	6,969.37	4,586.32

Schedule 19

PROPOSED DIVIDEND

On Preference Shares - Interim	0.99	3.01
- Proposed	4.10	3.08
On Equity Shares - Interim	-	-
- Proposed	1,367.62	1,172.25
	1,372.71	1,178.34

Schedule 20

NOTES ON ACCOUNTS

A. Significant Accounting Policies

1. Accounts are maintained on accrual basis. Claims/Refunds not ascertainable with reasonable certainty are accounted for on settlement basis.
2. Fixed Assets are stated at cost adjusted by revaluation of certain assets.
3. Expenditure during construction/erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction/ erection.
4. Monetary assets and liabilities relating to foreign currency transactions are stated at exchange rate prevailing at the end of the year and exchange difference in respect thereof is charged to Profit and Loss Account except foreign exchange loss/gain on reporting of long-term foreign currency monetary items used for depreciable assets, which are capitalized. The cost of forward exchange contract is spread over the period of the contract and charged to Profit and Loss Account.
5. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management. The current investments are stated at lower of cost and quoted / fair value computed category-wise. When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as a part of the cost of acquisition of the convertible portion of the debenture. Income in respect of securities with long-term maturities is accounted for as per contractual obligation.
6. Inventories are valued at the lower of cost and net realisable value (except scrap/waste which are valued at net realisable value). The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
7. Export incentives, Duty drawbacks and other benefits are recognized in the Profit and Loss Account. Project subsidy is credited to Capital Reserve.
8. Revenue expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred and capital expenditure is added to Fixed Assets.
9. Borrowing cost is charged to Profit and Loss Account except cost of borrowing for acquisition of qualifying assets which is capitalised till the date of commercial use of the asset.
10. (a) Depreciation on Buildings, Plant & Machinery, Railway Siding and Other Assets of all Units is provided as per straight line method considering the rates in force at the time of respective additions of the assets made before 02.04.1987 and on additions thereafter at the rates and in the manner specified in Schedule XIV of the Companies Act 1956. Continuous Process Plants as defined in Schedule XIV have been considered on technical evaluation. Depreciation on additions due to exchange rate fluctuation is provided on the basis of residual life of the assets. Depreciation on assets costing up to Rs.5,000/- and on Temporary Sheds is provided in full during the year of additions.

(b) Depreciation on the increased amount of assets due to revaluation is computed on the basis of the residual life of the assets as estimated by the valuers on straight-line method.

(c) Leasehold Land is being amortised over the lease period.

Schedule 20 (Contd...)

11. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable amount. An impairment loss is charged to the profit and loss account when an asset is identified as impaired. Reversal of impairment loss recognised in prior periods is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased. Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.
12. Employee Benefits:
 - (a) Defined Contribution Plan
Employee benefit in the form of Superannuation Fund is considered as defined contribution plan and charged to the Profit and Loss Account in the year when the contribution to the respective fund is due.
 - (b) Defined Benefit Plan
Retirement benefits in the form of Gratuity is considered as defined benefit obligation and provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.

The Provident Fund Contribution is made to Trust administered by the trustees. The interest rate to the members of the trust shall not be lower than the statutory rate declared by the Central Government under Employees' Provident Fund and Miscellaneous Provision Act, 1952. Any shortfall, if any, shall be made good by the Company.
 - (c) Other long-term benefits
Long term compensated absences are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of Balance Sheet.

Actuarial gain/losses, if any, are immediately recognized in the Profit and Loss Account.
13. Lease rentals in respect of assets taken on finance lease are accounted for in reference to lease terms.
14. Miscellaneous expenditure are amortised as under:
Expenditure incurred against which benefit is expected to flow into future periods, are treated as Deferred Revenue Expenditure and charged to Revenue Account over the expected duration of benefit.
15. Intangible Assets are being recognised if the future economic benefits attributable to the asset are expected to flow to the Company and the cost of the asset can be measured reliably. The same are being amortised over the expected duration of benefits.
16. Current tax is the amount of tax payable on the estimated taxable income for the current year as per the provisions of Income Tax Act, 1961. Deferred tax assets and liabilities are recognised in respect of current year and prospective years. Deferred Tax Assets are recognised on the basis of reasonable certainty / virtual certainty as the case may be, that sufficient future taxable income will be available against which the same can be realised.
17. Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes.
18. Premium on redemption of preference shares is accounted for in the year of redemption.

Schedule 20 (Contd...)

B. NOTES ON ACCOUNTS

1. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 214.08 Lac (Previous year Rs. 1,974.67 Lac).
2. Contingent liabilities in respect of claims not acknowledged as debts are as follows:

	Rs. in Lac (0.1 Million)	
	31 st March, 2009	31 st March, 2008
a) Excise duty liability in respect of matters in appeals	300.95	299.90
b) Sales tax liability in respect of matters in appeals	249.84	323.00
c) Other Matters	1,553.86	1,783.74

Above claims are likely to be decided in favour of the Company, hence, not provided for.

3. a) In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustment, if any, will be made after the same are finally determined.
b) The Company has entered into a Take or Pay agreement for the purpose of sourcing lime from JK Enviro-tech Ltd. The Company has given an undertaking that on the happening of certain events, it will takeover Loan taken by JK Enviro-tech Ltd. from IDFC Ltd. of the value of Rs. 40 Crore.
4. In respect of levy of Octroi pertaining to Central Pulp Mills Unit by Songadh Group Gram Panchayat, the Company has paid Rs. 125.07 Lac till 31st March 1997 under protest and also created a liability for the similar amount. As the matter is still pending in the court of law, the necessary adjustment, if any, would be made after its disposal.
5. The Company has only one business segment i.e. Paper and Boards and geographical reportable segment i.e. Operations within India, hence Segment Reporting as defined in Accounting Standard (AS - 17) is not required.
6. Land, Roads, Buildings and Pulp Mill Plant & Machinery of Unit - Central Pulp Mills were revalued as on 30.09.1976. The revaluation in respect of these assets (other than Land and Roads) were updated and Plant & Machinery of Paper Machine I & II and Railway Sidings were revalued as on 31.03.1994 based on current replacement cost by the approved valuers appointed for the purpose. As a result, the book value of such assets has been increased by Rs. 4,227.24 Lac, which has been transferred to Revaluation Reserve during the year ended 31.03.1994.
7. During the previous period, Company paid an amount of Rs. 240 Lac as one time additional interest charges on prepayment of high cost loans and also provided for Rs. 452.50 Lac for diminution in the value of a certain long term investment which had been charged to profit and loss account as exceptional items and equivalent amount had been transferred from General Reserve.
8. Loans and Advances are net of provisions for doubtful advances of Rs. 24.53 Lac (Previous year Rs. 43.17 Lac) and include loans to JK Paper Employees' Welfare Trust of Rs. 3,198.45 Lac (Previous year Rs. 3,398.45 Lac), to body corporate Rs. 2,046.40 Lac (Previous year Rs. 101.92 Lac), loan to employees of Rs. 49.15 Lac (Previous year Rs. 61.77 Lac) in the ordinary course of business and as per service rules of the Company.
Maximum amounts outstanding from employees at any time during the year were Rs. 71.43 Lac (Previous year Rs. 75.76 Lac).
9. a) Sales include export incentives of Rs. 285.56 Lac (Previous year Rs. 77.92 Lac).
b) Discount includes Trade Discount Rs. 4,336.75 Lac (Previous year Rs. 2,526.99 Lac) and other than Trade Discount Rs. 8,272.79 Lac (Previous year Rs. 4,995.65 Lac).

Schedule 20 (Contd...)

10. Employee Defined Benefits:

(a) Defined Benefit Plans/Long Term Compensated Absences–As per Actuarial Valuation on Balance Sheet Date:

Rs. in lac (0.1 million)

Sl. No.	Nature of Transactions	2008-09 (12 Months)		2007-08 (9 Months)	
		Gratuity (Funded)	Long Term Compensated Absences (Non Funded)	Gratuity (Funded)	Long Term Compensated Absences (Non Funded)
I	Expenses recognized in the Statement of Profit & Loss Account				
1	Current Service Cost	133.29	79.41	80.48	36.74
2	Interest Cost	183.38	43.40	134.66	23.97
3	Expected return on plan assets	(155.70)	-	(77.66)	-
4	Actuarial (gains)/losses	150.14	(119.46)	55.47	47.52
5	Total expense	311.11	3.35	192.95	108.23
II	Net Assets/(Liability) recognized in the Balance Sheet				
1	Present Value of Defined Benefit Obligation	2,409.17	421.89	2,306.13	507.70
2	Fair Value of plan assets	1,770.91	-	1,487.88	-
3	Funded status [Surplus/(Deficit)]	(638.26)	(421.89)	(818.25)	(507.70)
4	Net Assets/(Liability) recognized	(638.26)	(421.89)	(818.25)	(507.70)
III	Change in obligation during the period				
1	Present Value of Defined Benefit Obligation at the beginning of the period	2,306.13	507.70	2,244.32	399.47
2	Current Service Cost	133.29	79.41	80.48	36.74
3	Interest Cost	183.38	43.40	134.66	23.97
4	Actuarial (gains)/losses	80.83	(119.46)	61.02	47.52
5	Benefits Paid	(294.46)	(89.16)	(214.35)	-
6	Present Value of Defined Benefit Obligation at the end of the period	2,409.17	421.89	2,306.13	507.70
IV	Change in Assets during the period				
1	Fair Value of plan assets at the beginning of the period	1,487.88	-	1,218.27	-
2	Expected return on plan assets	155.70	-	77.66	-
3	Contribution by employer	491.10	-	400.75	-
4	Actual benefits paid	(294.46)	-	(214.35)	-
5	Actuarial gains/(losses)	(69.31)	-	5.55	-
6	Fair value of plan assets at the end of the period	1,770.91	-	1,487.88	-
7	Actual return on plan assets	86.39	-	83.22	-
V	The major categories of plan assets as % of total plan				
	Mutual Funds	100%	-	100%	-
VI	Actuarial Assumptions:				
1	Discount Rate	7.75%	7.75%	8.00%	8.00%
2	Expected rate of return on plan assets	8.00%	-	8.50%	-
3	Mortality	LIC (1994-96) duly modified Age upto 30-3%, upto 44-2%, above 44-1%		LIC (1994-96) duly modified Age upto 30-3%, upto 44-2%, above 44-1%	
4	Turnover rate				
5	Salary Escalation	5.50%		5.50%	

Schedule 20 (Contd...)

- (b) Defined Benefit Plans -
Gratuity Expense Rs. 311.11 Lac (Previous year Rs. 192.95 Lac) has been recognized in "Salaries, Wages, Bonus and Gratuity etc." under Schedule 14.
Amount recognized as an expense and included in Schedule 14 & note 24 below, Item "Contribution to Provident and Other Funds" Rs. 412.69 Lac (Previous year Rs. 300.35 Lac) and Rs. NIL (Previous year Rs. 6.01 Lac) being pre-operative expenses as per note 12 below for Provident Fund.
Pending the issuance of Guidance Note from the Institute of Actuaries of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability.
- (c) Defined Contribution Plans -
Amount recognized as an expense and included in Schedule 14 Item "Contribution to Provident and Other Funds" Rs. 171.14 Lac (Previous year Rs. 116.49 Lac) for Superannuation Fund.
- (d) Other long-term benefits -
Amount recognized as an expense and included in Schedule 14 Item "Salaries, Wages, Bonus and Gratuity etc." Rs. 3.35 Lac (Previous year Rs. 108.23 Lac) for long term compensated absences.
- (e) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risk of assets management, historical results on plan assets and the policy for plan assets management.
- (f) The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
11. (a) Miscellaneous Income includes gain of Rs. NIL (Previous year Rs. 501.69 Lac) on prepayment of loans and Rs. 1.74 Lac (Previous year Rs. 2.16 Lac) on account of dividend received during the year.
- (b) Interest Income includes Rs. 101.22 Lac (Previous year Rs. 45.36 Lac) on deposits with banks, Rs. 15.94 Lac (Previous year Rs. 9.97 Lacs) on Income Tax refund & Rs. 624.61 Lac (Previous year Rs. 505.99 Lac) on others.
- (c) Interest Expense in Schedule 17 includes Rs. 193.37 Lac (Previous year Nil) and other expenses in Schedule 16 includes Rs. 21.59 Lac (Previous year Nil) relates to prior-period.
12. Capital Work in progress includes machinery in stock, fee for technical assistance, building under construction, advance to suppliers, development cost of intangible asset, pro-rata cost of pulp netted off from respective head of accounts & other pre-operative expenses pending allocation/capitalization. Pre-operative expenses pending allocation/capitalisation are as follows:

	31 st March, 2009	Rs. in Lac (0.1 Million) 31 st March, 2008
Cost of Pulp & Waste Paper	-	1,717.91
Power and Fuel	-	573.04
Consumption of Chemicals, Stores & Spares	-	421.53
Salaries & Wages	-	102.03
Contribution to P F & Other Funds	-	6.01
Employee Welfare & Other benefits	-	10.93
Fees for Technical Assistance	40.78	58.00
Insurance	-	2.86
Travelling expenses	-	3.89
Excise Duty	-	295.64
Miscellaneous & Other Expenses	-	16.48
Borrowing Cost:		
Interest on Term Loans	-	284.68
On others	-	144.48
Add: Opening Stock		
Finished Stock	-	212.75
	40.78	3,850.23
Less: Net Sales (inclusive of excise duty Rs. 295.64 Lac & net of discounts Rs. 622.12 Lac in previous year)	-	3,059.35
Finished Stock	-	195.19
Stock-in-process	-	241.88
Add: Expenditure upto previous year	62.80	2,324.83
Total	103.58	2,678.64
Less: Allocated to the Fixed Assets	103.58	2,615.84
	-	62.80

Schedule 20 (Contd...)

13. In the previous period Other Current Assets includes Lime Kiln assets of Rs. 4,170.08 Lac held for sale to JK Enviro-tech Ltd.
14. Stocks of Stores and Spares include in-transit Rs. 237.17 Lac (Previous year Rs. 241.78 Lac).
15. Sundry Debtors exceeding six months are net of provisions for doubtful debts of Rs. 428.80 Lac (Previous year Rs. 58.79 Lac).
16. Future minimum lease payments under non-cancelable operating leases as on 31st March 2009 are Rs. 43.98 Lac - Rs. 28.60 Lac within one year and Rs. 15.38 Lac later than one year but not later than five years (Previous year Rs. 72.58 Lac - Rs. 28.60 Lac within one year and Rs. 43.98 Lac later than one year but not later than five years).
17. (a) Based on information so far available with the Company in respect of MSME (as defined in 'The Micro Small & Medium Enterprises Developments Act 2006') there is no delay in payment of dues to such enterprises during the year and there is no such dues payable at the end of the year.
(b) The Balances of certain Debtors, Advances, Security Deposits, Creditors and Other liabilities are in the process of confirmation/reconciliation.
18. Consumption of Stores, Spares and Chemicals is net of scrap sale of Rs. 297.42 Lac (Previous year Rs. 293.09 Lac).
19. (a) In accordance with Announcement issued by the Institute of Chartered Accountants of India all outstanding derivatives except covered under AS 11 (revised 2003) are mark to market on Balance Sheet date and there is loss of Rs. 63.21 Lac (Previous year Nil) which has been recognized in Profit & Loss Account.
(b) In accordance with recent notification, G.S.R. 225 (E) dated 31st March 2009, issued by the Central Government in regards to AS 11, Company has opted to capitalize the foreign exchange loss/gain on reporting of long-term foreign currency monetary items used for depreciable assets retrospectively w.e.f. 1st July 2007. Consequently, Rs. 1,406.75 Lac (including Rs. 105.29 Lac relates to previous year) has been added to the cost of depreciable assets.
(c) Forward contract outstanding for purpose of hedging as at Balance Sheet date

Foreign Currency	31 st March, 2009		31 st March, 2008	
	FC in Million	Rs. in Lac	FC in Million	Rs. in Lac
(i) US Dollar*	8.20	4,177.90	7.62	3,043.89
(ii) Euro	0.87	587.08	1.01	635.31

* Net of receivables US \$ 1.20 Million - Rs. 611.40 Lac (Previous year US \$ 0.99 Million - Rs. 394.58 Lac)

- (d) Nominal amounts of Currency and Interest Rate Swaps for hedging entered into by the Company and outstanding at year end is Rs. 12,976.55 Lac (Previous year Rs. 7,353.04 Lac)
- (e) Foreign currency exposure not hedged as at Balance Sheet date

Foreign Currency	31 st March, 2009		31 st March, 2008	
	FC in Million	Rs. in Lac	FC in Million	Rs. in Lac
(i) US Dollar	16.73	8,524.56	17.85	7,136.00
(ii) Euro	0.14	96.27	2.64	1,663.86
(iii) Sterling Pound	0.01	3.99	—	—
(iv) Swedish Krona	0.30	18.76	0.09	5.23

Schedule 20 (Contd...)

20. Research and Development expenditure amounting to Rs. 61.68 Lac (Previous year Rs. 72.73 Lac) has been charged to Profit and Loss Account.

21. Miscellaneous Expenditure to the extent not written off include: Rs in Lac (0.1 million)

31st March, 2009 31st March, 2008

a) Deferred Revenue Expenditure amortised over the expected duration of benefit : Expenditure relating to forestry development, expenditure relating to enhancement of business performance including cost compression and strategic planning having long term benefits amortised over five years.	7.76	19.15
b) Compensation paid to employees under VRS amortised over the period till 31st March 2010.	95.95	174.33
c) Syndication Fee, Upfront Fee etc. amortised over tenure of loans	43.25	74.12
22. Amount Paid to Auditors (including service tax):	2008-09	2007-08
(i) Statutory Auditors :		
Audit Fee	8.82	8.99
Tax Audit Fee	1.65	1.35
Other Services	3.65	2.88
Reimbursement of expenses	1.17	0.70
	15.29	13.92
(ii) Cost Auditors :		
Cost Audit Fee	0.44	0.44
Reimbursement of expenses	0.03	0.01
	0.47	0.45
23. Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956:		
	2008-09 (12 Months)	5,408.54
Profit before tax as per Profit & Loss Account		
Add : Managerial Remuneration	583.11	
Directors' Fee	6.00	
Commission to Non Executive Directors	22.54	
Wealth Tax	5.21	
Assets Written Off	277.34	894.20
		6,302.74
Less: Profit on sale of Fixed Assets (Net)		6.93
Net profit as per section 198 of the Companies Act, 1956		6,295.81
Commission payable, subject to overall ceiling of section 198 and 309 :		
a) Chairman (Whole-time Director), Managing Director and Whole-time Director as per terms of appointment		150.92
b) Non Executive Directors, as approved by the Board of Directors		22.54
	2008-09	2007-08
Managerial Remuneration #:	(12 Months)	(9 Months)
i) Salaries	265.35	157.04
ii) Commission	150.92	42.04
iii) Contribution to Provident and Other Funds	72.65	41.39
iv) Value of Perquisites (as per Income-Tax rules)	94.19	93.35
	583.11	333.82

Excludes actuarial provision for gratuity & leave encashment.

Schedule 20 (Contd...)

	Rs in Lac (0.1 Million)	
	2008-09 (12 Months)	2007-08 (9 Months)
24. Expenses included under other heads of account:		
Salaries, Wages, Bonus and Gratuity etc.	227.77	102.50
Contribution to Provident and Other Funds	22.82	15.57
Employees' Welfare and Other benefits	33.63	29.40
Consumption of Stores and Spares	26.80	14.07
Power, Fuel and Water	0.46	0.33
Repairs to Buildings	-	0.11
Rent	4.50	5.49
Insurance	2.29	(1.59)
Rates and Taxes	0.38	0.53
Royalty for Bamboo	570.73	298.21
Miscellaneous Expenses	480.25	243.42
	<u>1,369.63</u>	<u>708.04</u>
25. a) Pursuant to the Accounting Standard for 'Taxes on Income' (AS 22), deferred tax liability () / asset at Balance Sheet date is:		
	31 st March 2009	31 st March 2008
i) Tax on difference between book value of depreciable assets as per books of account and written down value as per Income Tax.	(14,788.88)	(12,934.55)
ii) Tax on Carried forward unabsorbed depreciation	3,028.57	2,954.97
iii) Tax on Others	766.40	551.61
	<u>(10,993.91)</u>	<u>(9,427.97)</u>
b) Based on the past performance and current plans, the Company expects to continue to generate taxable income which will enable it to utilise the carried forward unabsorbed depreciation and MAT credit entitlement.		
c) During the Current year Company has recognized additional MAT Credit Entitlement of Rs. 79.49 Lac related to earlier years.		
d) During the last period additional Current Tax of Rs. 307.43 Lac was provided because of retrospective amendment to Section 115JB of Income Tax Act, 1961 by the Finance Act, 2008. However there was no impact on Profit after tax as MAT Credit had also been recognized for an equivalent amount.		
26. Disclosure as required under 'Related Party Disclosures' (AS 18) issued by The Institute of Chartered Accountants of India are as below:		
a. List of Related Parties		
i. Associates		
JK Enviro-tech Limited		
ii. Key Management Personnel		
Shri Hari Shankar Singhania	-	Chairman
Shri Harsh Pati Singhania	-	Managing Director
Shri Om Prakash Goyal	-	Whole-time Director

Schedule 20 (Contd...)

b. The following transactions were carried out with related parties in the ordinary course of business:

Rs. in Lac (0.1 million)

Nature of Transactions	Associates	
	2008-09 (12 Months)	2007-08 (9 Months)
(i) Sale of Assets	5,261.31	–
(ii) Sharing of Expenses - received	197.13	–
(iii) Purchase of Goods	40.44	–
(iv) Interest received	248.89	–
(v) Equity Contribution	–	170.00
(vi) Loans given	2,103.91	–
(v) Advance received for Capital Equipments	–	300.00
(vi) Outstanding at end of the year :		
– Receivable	2,145.60	–
– Payable	–	300.00

Details of remuneration to Key Management Personnel are given in the note 23 above.

27. Earnings Per Share:

	31 st March, 2009	31 st March, 2008
a) Profit after tax	3,801.04	3,470.86
Less : Preference Dividend (including tax on Dividend)	5.96	7.12
Profit for Basic Earnings Per Share	3,795.08	3,463.74
Effect of Conversion Option:		
Interest on Foreign Currency Convertible Bonds (Net of tax expense)	21.89	7.47
Profit for Diluted Earnings Per Share	3,816.97	3,471.21
b) Weighted average No. of Ordinary Shares		
- Basic	7,81,49,939	7,81,49,939
Effect of Conversion Option	23,52,105	23,52,105
- Diluted	8,05,02,044	8,05,02,044
c) Nominal Value of Ordinary Share (Rs.)	10.00	10.00
d) Earnings per Ordinary Share considering		
- Basic	4.86	4.43
- Diluted	4.74	4.31

Schedule 20 (Contd...)

28. Particulars of Capacity (as certified by the Management), Production, Sales and Stocks:

Description	Installed Capacity Quantity Per Annum Tonnes	Production Quantity Tonnes	Sales		Opening Stocks		Closing Stocks	
			Quantity Tonnes	Rs. in Lac	Quantity Tonnes	Rs. in Lac	Quantity Tonnes	Rs. in Lac
Paper & Board incl. Pulp for sale	2,40,000	2,54,816*	2,56,918	1,26,834.07	5,216	2,214.84	7,936	3,271.50
Previous Year	2,40,000#	1,53,529*	1,59,613	74,930.84	5,458	2,040.76	5,216	2,214.84

* Includes 18,238 MT transferred to Packaging Board (Previous year 7,206 MT)

Increased w.e.f. 21st Oct 2007.

Note:

In Previous year Production, Sales & Opening Stock excludes 9,017 MT, 9,051 MT (value Rs 3,681.47 Lac) and 631 MT (value Rs. 212.75 Lac) respectively on account of trial run of Packaging Board.

29. Purchase of finished goods (Paper and Board) during the year 23,060 tonnes (Previous year - 12,451 tonnes).

30. Particulars of Raw Materials consumed:

	2008-09 (12 Months)		2007-08 (9 Months)	
	Quantity (Tonnes)	Amount Rs. in Lac (0.1 Million)	Quantity (Tonnes)	Amount Rs. in Lac (0.1 Million)
(i) Bamboo	1,27,764	4,359.22	1,47,078	5,030.66
(ii) Hardwood	3,22,966	13,322.87	2,56,209	8,123.04
(iii) Pulp & Others	28,221	10,461.28	13,187	3,564.93
		28,143.37		*16,718.63

* Includes Rs. 275.62 Lac in pulp cost transferred to Packaging Board and Rs. 1,389.13 Lac trial run consumption.

31. Other Particulars:

	Rs. in Lac (0.1 Million)	
	2008-09 (12 Months)	2007-08 (9 Months)
(a) Earnings in Foreign Exchange:		
i) Export of goods at FOB Value	4,241.95	1,291.02
ii) Interest Income	10.17	-
(b) CIF Value of Imports :		
i) Raw Materials	8,563.22	3,853.68
ii) Stores, Spares and Chemicals	1,262.71	822.83
iii) Capital Goods	1,149.78	742.32
iv) Others - Paper	4,664.08	-
	15,639.79	5,418.83
(c) Expenditure in Foreign Currency (as remitted) on account of:		
i) Interest payment in Rupee to Financial Institutions/Banks on foreign currency loans	533.15	270.28
ii) Consultancy	196.19	210.00
iii) Others	120.97	40.18
	850.31	520.46

Schedule 20 (Contd...)

	2008-09 (12 Months)	2007-08 (9 Months)
(d) Remittance in foreign currency on account of Dividend for the year - 2007-08 (Previous year 2006-07)		
Number of Non-resident Shareholders (No.)	1	1
Number of Equity Shares held by them (No.)	25,00,000	25,00,000
Amount of Dividend remitted	37.50	56.25

	2008-09 (12 Months)		2007-08 (9 Months)	
	Rs. in Lac (0.1 Million)	% of Total	Rs. in Lac (0.1 Million)	% of Total
(e) Raw Materials, Stores, Spares and Chemicals consumed:				
i) Raw Materials				
Imported	9,608.95	34.14	3,288.03	19.67
Indigenous	18,534.42	65.86	13,430.60	80.33
	28,143.37	100.00	*16,718.63	100.00
* Includes Rs. 275.62 Lac in pulp cost transferred to Packaging Board and Rs. 1,389.13 Lac trial run consumption.				
ii) Stores, Spares and Chemicals:				
Imported	1,097.16	4.64	837.86	5.81
Indigenous	22,571.88	95.36	13,575.89	94.19
	#23,669.04	100.00	*14,413.75	100.00

Includes Rs. 297.42 Lac scrap sale & Rs. 26.80 Lac grouped in other head of account.

* Includes Rs 125.78 Lac in pulp cost transferred to Packaging Board, Rs. 421.52 Lac trial run consumption, Rs. 293.09 Lac scrap sale & Rs. 14.07 Lac grouped in other head of account.

32. Company, with a view to have a uniform financial year under the Companies Act, 1956 & the Income Tax Act, 1961 had changed its accounting year from July-June to April-March in last year. Accordingly, previous year 2007-08 is for a period of 9 months from July 01, 2007 to March 31, 2008 and therefore not comparable.

33. Previous year's figures have been re-grouped/re-arranged wherever necessary.

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole-time Director

N.K. LODHA
Partner

YOGESH K. GUPTA
Partner

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAILENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

S.C. GUPTA
Company Secretary

New Delhi, the 14th May, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER SCHEDULE VI, PART IV OF THE COMPANIES ACT 1956

I. REGISTRATION DETAILS :

Registration No.	04-18099
State Code	04
Balance Sheet Date	31.03.2009

II. CAPITAL RAISED DURING THE PERIOD :

(Amount in Rs./Thousands)

Public Issue	Nil
Rights Issue	Nil
Private Placement	Nil

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUND:

(Amount in Rs./Thousands)

Total Liabilities	12,146,604
Total Assets	12,146,604
SOURCES OF FUNDS	
Paid-up Capital	785,599
Reserves & Surplus	3,303,011
Deferred Tax Liability	1,099,391
Secured Loan	5,634,151
Unsecured Loan	1,324,452
APPLICATION OF FUNDS	
Net Fixed Assets	9,426,694
Investments	27,484
Net Current Assets	2,677,730
Miscellaneous Expenditure	14,696

IV. PERFORMANCE OF THE COMPANY

(Amount in Rs/Thousands)

Turnover including Other Income	10,821,047
Total Expenditure	10,280,193
Profit before Tax	540,854
Profit after Tax	380,104
Earnings Per Share (Rs.)	4.86
Dividend Rate (%)	17.50%

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY

(As per Monetary terms)

Item Code No.	4907.00
Product Description	Paper and Board

S.C. GUPTA
Company Secretary

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole-time Director

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAIENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

New Delhi, the 14th May, 2009

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2009

Rs. in Lac (0.1 Million)

	2008-09 (12 Months)	2007-08 (9 Months)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and Extra-ordinary Items	5,408.54	3,492.17
Adjustments for :		
Depreciation	6,969.37	4,586.32
Income from Investments	-	(0.04)
Profit on sale of Assets (Net)	(6.93)	0.19
Interest and Financial Charges (Net)	5,847.20	3,546.10
Assets Written off	277.34	-
Bad Debts	432.53	-
Provision for Doubtful Debts	377.72	-
Miscellaneous Expenditure Written off	138.22	127.77
Provision for earlier years no longer required	(423.35)	(181.56)
Operating Profit before Working Capital Changes	19,020.64	11,570.95
Adjustments for Working Capital Changes:		
Trade and Other Receivables	4,179.01	(467.28)
Inventories	322.79	(2,393.15)
Trade and Other Payables	(2,285.45)	1,396.69
Cash generated from Operations	21,236.99	10,107.21
Taxes paid	(942.81)	(566.66)
Miscellaneous Expenditure	(17.58)	(156.27)
Net Cash from Operating Activities	20,276.60	9,384.28
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(3,398.89)	(10,239.47)
Sale of Fixed Assets	212.94	114.05
Sale/(Purchase) of Investments (Net)	-	(169.96)
Interest Received	668.26	928.32
Net Cash from Investing Activities	(2,517.69)	(9,367.06)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2009

Rs. in Lac (0.1 Million)

	2008-09 (12 Months)	2007-08 (9 Months)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Redemption of Preference Share Capital incld. Premium	(585.00)	–
Proceeds of Long-term Borrowings	7,183.26	12,927.40
Repayment of Long-term Borrowings	(8,707.72)	(14,223.12)
Proceeds/(Repayment) from Short-term Borrowings (Net)	(5,018.89)	7,404.32
Interest and Financial Charges	(6,183.26)	(3,951.63)
One Time Additional Interest (Exceptional)	–	(240.00)
Dividend (including Dividend Tax)	(1,375.08)	(2,066.77)
Net cash from Financing Activities	(14,686.69)	(149.80)
D. Increase/(Decrease) in Cash and Cash Equivalents - Cash & Bank Balance	3,072.22	(132.58)
E. Cash and Cash Equivalents as at the beginning of the year - Cash & Bank Balances (Schedule No. 9)	349.95	482.53
F. Cash and Cash Equivalents as at the close of the year - Cash & Bank Balances (Schedule No. 9)	3,422.17	349.95

Note :

I. Previous year's figures have been re-grouped / re-arranged wherever necessary.

As per our report of even date

FOR LODHA & CO.
Chartered Accountants

FOR S.S. KOTHARI MEHTA & CO.
Chartered Accountants

H.S. SINGHANIA
H.P. SINGHANIA
O.P. GOYAL

Chairman
Managing Director
Whole-time Director

N.K. LODHA
Partner

YOGESH K. GUPTA
Partner

S.C. GUPTA
Company Secretary

ARUN BHARAT RAM
DHIRENDRA KUMAR
R.V. KANORIA
SHAILENDRA SWARUP
SHAILESH HARIBHAKTI
UDAYAN BOSE
VINITA SINGHANIA

Directors

New Delhi, the 14th May, 2009

Notes

[illegible]

Beyond Company Affairs



"BANKS should be incentivised to start lending"

Harsh Patel Singhania

Things will start looking up by year-end

Q & A HARSH SINGHANIA, President, FICCI

Re-skilling people tops agenda, says Ficci chief

Shashi Singh / IAS

Growing At A Good Clip

SBs asked to allocate to spur credit growth

G-20 MUST SHOW UNITY AND RESOLVE

HARSH PAT SINGHANIA

'Monetisation of deficit not on RBI's agenda for now'

NSNSUS ON FINANCIAL SECTOR

PM to meet industry leaders today

PM to meet industry leaders today

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demand may

NEW DELHI

With India's deflation in India Inc, it is but partly in prices by

input prices are coming down then this is not much of a concern as goods are becoming cheaper."

Harsh Patel Singhania, FICCI president

Slowdown fails to shake paper industry

PAPER PRICES

Source: Indian Paper Mills Association

Unit: Rs per tonne

Grade

Current price

Change

Grade

Current price

Change

Grade

Current price

Change

Grade

Current price

Change

Grade

Current price

Change



BRINGING A BETTER TOMORROW TO LIFE

CSR



We are strongly committed to the welfare and improving the quality of life in the villages located near our units. Through our farm forestry programmes we create employment opportunities for the nearby villages which are in some of the poorest regions in India.

We conduct periodic diagnostic medical camps which help in early detection of many diseases and thus contain their impact. Awareness camps on reproductive health care have also been conducted for 9 Balika Mandals.

Employment opportunities and social mobility are largely governed by literacy levels. Literacy, one of the lead indicators of Human Development Index (HDI), is low in the areas surrounding our units. To address this, our units run Adult Education Centers in nearby tribal villages. Our counsellors are tirelessly motivating the village folks to come to these centres for a better tomorrow. The Company provides teachers and stationery items to the beneficiaries.

Unit JKPM has helped form 25 all-women Self Help Groups (SHG's) in its neighbourhood. These are aimed at providing sustainable livelihood opportunities to its members. They are trained and now engaged in phenyl making, tamarind deseeding, hill broom making and mushroom growing and profitably marketing them.



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